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China Report

ECONOMIC AFFAIRS



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1 March 1984

CHINA REPORT
ECONOMIC AFFAIRS

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ECONOMIC MANAGEMENT

ECONOMIC IMPACT OF TECHNOLOGY TRANSFER DISCUSSED

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT]
No 5, 25 Oct 83 pp 36-42

[Article by Lin Guang [2651 0342]: "Several Issues on Improving the Economic Results of Technology Transfer"]

[Text] Importing advanced foreign technology to develop China's economy is an important way to change the backward situation, speed up the four modernizations and improve the people's living standards. Marx contended that science and technology is the commonwealth of human society created by the masses of the people in protracted production struggles and scientific experiments. People of all nationalities throughout the world cannot make continuous progress, in overcoming their deficiencies unless they learn from each other's strong points. Without China's "three great inventions," bourgeois modern civilization would not have arrived so soon. Marx considered China's three great inventions--gunpowder, the compass and printing--as signs of the arrival of a bourgeois society. Judged from modern history, the reason the United States today is far ahead in science and technology and economic strength is because England and West Europe transferred science and technology to the soil of America. Since the early period of its founding, the United States has paid attention to both importing advanced technology and inviting a large number of talented people to come there, especially during World War II. Scientists like Einstein came to the United States from all over the world. There still are many scientists of Chinese ancestry working in the United States today. This has facilitated the development of the economy and technology in the United States. The development of Japan in the Orient and Germany in the West was relatively late in history. But due to "constitutional reform and modernization," they imported advanced technical equipment from abroad and promoted their economies. Japan and Germany were both defeated nations after World War II. From the ruins of war, they again actively imported advanced technology from other countries and enabled their production techniques and national economies to develop by leaps and bounds. This has helped them become the second and third biggest economies in the capitalist world after the United States. In the past, czarist Russia was noted for being a backward empire. It was far behind England, France and West Europe. However, by learning from the West and importing advanced foreign technology, it has also become one of the major world powers. Especially since the October Revolution, the Soviet Union, under the leadership of Lenin and Stalin, has paid great attention to importing foreign technical equipment and has hired large numbers of foreign experts at the expense

of large amounts of money. This has accelerated its socialist industrialization and made it the second biggest economy in the world. After the war, Yugoslavia, Romania and Hungary all used foreign technical equipment to speed up their economic development and changed from backward agricultural countries to moderately modernized industrial countries.

Judged from modern history, China has been a country with a very low technical level and a very backward economy. During the long years from the "westernization group" in the Qing Dynasty to the 1911 revolutionary party, some people with lofty ideas advocated learning from the West and importing advanced Western technical equipment in an attempt to "make the country rich and build up its military power." However, they could not achieve any results because of the corruption and incompetence of previous governments. It was socialist New China that finally opened up a broad road for changing the backward situation in China. Since 1952, our country has imported 156 major engineering items from the Soviet Union, affecting coal mining and chemical manufacturing. These items have laid an initial foundation for filling in some gaps in technology and changing the backward economic situation in China. They are still playing an important role now. But because Khrushchev's renegade clique broke faith with us, we have switched the focus of technology transfer to capitalist countries. We have imported large quantities of technical equipment from over 10 countries, including Japan, West Germany, England and France. Generally speaking, these technology transfers have played an active role in developing our economy, increasing our ability to attain self-reliance and enhancing our technological forces. However, they have not yielded the expected results because of our lack of experience and because of policies with a leftist inclination which keep changing from time to time. Our main problem is how to improve the economic results of technology transfers. This is the focus of technology transfers. After all, money-losing businesses and investments that yield poor economic results are detrimental to the cause of socialist construction. To improve the economic results of technology transfers further, I would like to state my views and discuss them with all comrades:

I. Import Advanced or Intermediate Technology?

The salient features of advanced technology are high efficiency, low cost of production, low consumption of labor and large accumulation of profits. If we are to import technology, we hope that we will be able to import advanced technology to narrow gaps in technology, catch up with the international level and speed up our economic development. But if we are to export technology, we will try to save advanced technology for ourselves and export less advanced technology to other countries so as to maintain our technical superiority, overpower new and old rivalries and make large profits.

Judged from the results of technology transfers in all countries, Japan is one of the biggest beneficiaries. Her biggest characteristic in technology transfers is her many efforts to import the newest and make use of all countries' strong points on a broad scale. Japan spares no expense in vigorously importing technology as long as it is conducive to eliminating her technical gaps or maintaining her technical superiority. Japan also further assimilates and improves imported technology and changes technology imports into technology

exports. For example, the development of Japan's steel industry fully illustrates the importance of importing advanced technology. Ten years after the war (1955), Japan's steel output was no more than 9.41 million tons. In order to develop the steel industry, Japan imported the newest in steelmaking technology, the "oxygen top-blown converter," from Austria at a cost of \$1.4 million at that time. Japan's steel output increased nearly nine times from 9.41 million tons in 1955, when Japan bought the patent, to 93.32 million tons in 1970, when the patent expired. This enabled Japan to become the third biggest steel-producing country in the world next to the United States and the Soviet Union. Both the steel-making capacity and the technical level of Japan's oxygen top-blown converters ranked first in the world. Today Japan has exported this steel-making technique to England, the United States, Italy, Canada and many other countries. This has effectively speeded up the development of the whole economy in Japan and achieved great economic results.

However, some comrades in our country still harbor doubts about the transfer of advanced technical equipment, especially the transfer of the newest technology. They claim that there is no need for China to import so much advanced technical equipment because our country has a large population and a weak foundation. They contend that technology transfer is not conducive to labor employment and bringing into play our population advantage. Therefore, they suggest the importation of "more equipment which is conducive to labor employment and is not highly automatic." They think that only by doing so can we bring into play our strong point of a large population and facilitate labor employment. Therefore, these comrades will continue to use manpower in spite of the importation of relatively advanced equipment. This makes it very difficult to bring into play the superiority of the equipment and improve its economic results.

I should note that the advanced technology or the newest technology mentioned here is not the kind of technology which is unattainable and impractical. It is the kind which has high productivity and good economic results and is technically advanced and economically rational. Of course, when we use such technical equipment, we must reduce the employment of people due to the resulting high efficiency, and enterprises and establishments must reduce their staff. This is inevitable, normal and beyond reproach. This has been the case since human society learned to use tools. This problem has become more prominent since the Industrial Revolution and the appearance of industrial machines. This precisely is an inevitable outcome of the evolution of human society and the development of the national economy. As Marx said: "All economies will end up as an economy of time." Such an economy of time means reducing labor time and the number of workers engaged in production. Such a reduction will be accompanied by increased labor productivity and expanded accumulation of funds because once we have funds and markets we will be able to advance toward the width and breadth of production; new enterprises, businesses and trades will continue to appear; and commerce, service trade, culture, education, science, the arts and many other fields and many departments will expand accordingly. This, in turn, will pave the way for new employment. If we import low-level technical equipment or if we continue to increase instead of reducing the utilization of manpower after we import high-level technology, we will certainly increase the employment rolls for the time being. But judged from a long-term and macroeconomic point of view, it will be very difficult for us to expand reproduction and increase new employment opportunities due to the low labor

productivity and accumulation levels. For instance, our country has imported 13 sets of chemical fertilizer equipment with relatively advanced technology and sophisticated techniques from the United States. This equipment helped accumulate 273,374,000 yuan of funds for the state, 108.4 percent of its total investment, during a period of only 2 years and 9 months between December 1976, when it was built and put into operation, and October 1979. The state has not only recovered its total investment in the equipment--252,299,000 yuan--but also provided jobs for thousands of people. The number of new job opportunities will increase every year when enterprises hand over to the state large amounts of funds to be used in the expansion of reproduction and the construction of various projects. Compared to this, the three sets of chemical fertilizer equipment we imported from France were not as advanced. They caused all kinds of trouble and could not operate normally after a 1-year test run. Finally, we had to return them to France and asked for compensation. Importing such technical equipment makes it very difficult to talk about economic results and to increase job opportunities.

Therefore, we should not conduct an "unequal distance race" in technology transfer. China is totally qualified to produce equipment of lower technical levels, and the prices of domestic equipment are generally much lower than those of imported equipment. In view of developing production and increasing exports, China should also actively create conditions to produce more advanced technical equipment and gradually improve the backward situation of our production. Of course, to give consideration to labor employment, it is also necessary for us to produce properly some labor-intensive equipment. In this way, we can use limited foreign exchange where it is most needed and import the advanced technical equipment most needed by the state. At the same time, we should cooperate with scientific research, design and production units to develop from copying imported equipment to bringing forth new ideas and from importing technology to exporting technology. Otherwise, China will always be a country which only imports, not exports, technology. Catching up with international standards will become empty talk.

II. Buy Chickens or Eggs?

After summing up China's experiences in importing technology, some people contend that an important experience is to "buy chickens, not eggs." This means it is cheaper to import technical equipment to produce goods than to import commodities. It is, indeed, cheaper to buy chickens than to buy eggs. However, it costs a lot to buy chickens. If we buy eggs not to eat them but to hatch chickens, we will have better economic results than buying chickens. Therefore, buying eggs instead of chickens, meaning purchasing software rather than hardware, is an inevitable way to improve economic results further.

During the early years of China's founding when its economic and technical foundations were relatively weak, it was necessary and feasible to adopt the method of buying chickens instead of eggs, to import complete sets of equipment in order to fill certain gaps in technology. But now we have established more than 300,000 large and small enterprises and a sizable scientific research, design and manufacturing force. The number of machine tools our country now possesses is close to that of the United States. If we continue to adhere to the method of buying chickens instead of eggs to import complete sets of

equipment, we will be in trouble. Among all the contracts China has signed with foreign countries for technology transfers since 1973, over 95 percent are for importing complete sets of equipment and less than 5 percent are for purchasing manufacturing techniques. This has not only used large amounts of foreign exchange but also hindered the development of the macro-economy and the improvement of economic results.

Judged by the experiences of all countries in technology transfers, importing complete sets of machinery constitutes the initial stage of technology transfers. Its strong point is that it can save time and trouble and speed up the development of production capacity. However, along with the development of the national economy, it is bound to transfer to a higher stage to purchase manufacturing techniques. Of course, all technically advanced countries like to export complete sets of equipment. They particularly like to become involved in "turn-key projects." As soon as they finish building a plant and turn the key over to the other side, they will be able to fill up their pockets with abundant profits. Judged from the viewpoint of countries importing technology, some economically and technically backward but extremely rich countries, such as the petroleum-exporting countries in the Middle East, are also willing to accept such turn-key projects. However, costs for such projects are several times higher than for purchasing patents. Costs for importing complete sets of equipment are also about a third higher than for individual machines. What is more important is that the importing countries cannot learn any techniques. They depend totally on the other side, affecting the development of their national economy. Therefore, along with the growth of national technical forces, importing countries usually import software while importing hardware and gradually change to mainly importing software. In the early 1970's, Romania and China both imported large chemical fertilizer equipment. Romania not only imported complete sets of equipment but also purchased patents for crucial parts which could not be produced at home and learned design and production techniques. Romania copied the imported equipment in less than a year after the original was put into operation. It has now produced seven copies and changed from importing complete sets of equipment to exporting them. However, China only purchased complete sets of equipment---13 sets all at once. It has not been able to produce any copies and is now trying to import more. Had we also imported manufacturing techniques at that time and produced copies at home, we would have been able to save hundreds of millions of yuan in foreign exchange for the state by importing 10 fewer sets of equipment. What is more important is that we could have accelerated the development of our country's machine-building industry and achieved great macroeconomic results.

In sum, whether it is China or other countries, as long as it has certain technical conditions and production capacity, it should not be concerned with the question of buying chickens instead of eggs but of buying eggs to hatch chickens. The original meaning of technology transfer is the purchase of software to produce the equipment at home. Importing complete sets of equipment is nothing but a "trade of products." Many countries impose limits on the importation of complete sets of equipment and actively encourage the importation of software. The Japanese government stipulates that only one set of each equipment is allowed to be imported. The imported equipment must

be copied at home and no similar equipment will be allowed to be imported. In 1954 a third of Japan's total technology transfers consisted of equipment. In 1960 only a ninth was equipment, and the remainder was software. Some countries in East Europe stipulate that imported equipment should be subjected to content analysis. At least 50 percent of the imported equipment should be manufactured at home; otherwise, their governments will not approve its importation. Since we have only a limited amount of foreign exchange, we should strive to save the large amount of foreign exchange we spent on importing complete sets of equipment and buy more production and manufacturing techniques to switch from buying chickens instead of eggs to buying eggs to hatch chickens. For this, we should observe the following principles:

- 1) We should strive to use, if possible, domestic equipment, even if its quality is behind the advanced international standard for the time being;
- 2) we should avoid importing equipment from other countries if it can be manufactured at home with imported software;
- 3) we should not import a complete set of equipment if it can be manufactured at home with imported critical parts;
- 4) we should not import more than two sets of equipment if this equipment must be imported in sets, and we should at the same time purchase its manufacturing techniques and organize people to copy, modify and innovate it immediately;
- 5) we must insure that imported equipment and technology meets the production series and standardization so as to be compatible with our domestic equipment and spare parts and help save manpower and material resources and improve economic results.

III. Take One Road or Use Many Channels?

Every time we talk about technology transfers, many comrades automatically think of loans. They seldom consider using other channels. In order to improve economic results and import more technical equipment, we not only must consider loans but should also try to open up multiple channels. Since foreign debts are different from domestic debts, they must be paid in foreign exchange with compound interest. Since our ability to pay debts is limited, the scale of technology transfers is also limited. Therefore, we must strive to explore other channels for technology transfers.

1. Production cooperation

Production cooperation is two parties signing an agreement on producing different parts for the same product in accordance with unified technical standards. These parts will be assembled by one or both parties for export. The experiences of Yugoslavia and Romania in production cooperation show that technology in such cooperation can be supplied by either one or both parties, but each set of technical equipment must be sold to the other party to be maintained and managed on its own. In the past, Romania totally relied on imports for all small automobiles, costing a large amount of foreign exchange. Later it began production cooperation with France's Renault Company. This enabled it not only to stop imports for such products but also to export the products to other countries and earn a large amount of foreign exchange. In 1978 China's First Ministry of Machine-building Industry signed an agreement with West Germany's Linde Company to produce 10,000-cubic meter

oxygen-producing machines jointly. The technology was supplied by both sides. Our country produced 8 percent of the spare parts for the first four sets, 30 percent for the fifth and sixth sets and 72 percent for the seventh and eighth sets.

Along with the continuous improvement of our country's technological level and production capacity, production cooperation has become not only a means to import technology and save foreign exchange but also an important way to improve economic results and earn foreign exchange.

2. Joint ventures

The salient feature of a joint venture is joint investments and management and the sharing of profits and losses. Foreign investors generally provide the technology, equipment, technical service and foreign exchange in cash. Our country provides civil engineering service, power workshops and land. As far as our country is concerned, joint ventures are conducive to transferring production, management and marketing techniques, saving our funds and increasing foreign exchange receipts. As far as foreign investors are concerned, joint ventures can help them gain higher profits by utilizing our raw materials, land and labor at a lower cost. This is an economic means based on equality and mutual benefit. It is an important channel for utilizing foreign funds and importing technology. However, there still are some "skeptics" in our country. They wonder if running joint ventures with foreigners on Chinese soil will infringe on China's sovereignty. In fact, a Chinese-foreign joint venture is only a form of state capitalism. It is semisocialist in nature because it is a part of a socialist economy. There is no question that all activities of joint ventures must be restricted by the law of China. In the past, Romania used loans to import technology. As a result, its foreign debts and burden increased substantially. In 1970 Romania began joint ventures with foreign countries and, therefore, solved its problem about importing technology without having to borrow from other countries. Yugoslavia has now established more than 100 joint ventures with foreign countries. The capital involved is \$1.6 billion. By doing so, Yugoslavia has effectively promoted its trade with foreign countries and increased its foreign exchange receipts. The more than 80 joint ventures the Soviet Union established with Western countries have become an important channel for transferring advanced technology and increasing foreign exchange receipts. China has just begun to establish joint ventures with foreign countries. For instance, there is a vehicle rental company in Guangzhou. It is a joint venture with Hong Kong investors on a 2-year contract. Hong Kong investors have provided 100 vehicles worth 990,000 yuan of RMB, and China has provided 205 employees. Estimates based on the operation in the first 7 months show that when the contract expires, our country will gain 1.96 million yuan in profits, 600,000 yuan in wages and welfare and 1.04 million Hong Kong dollars in foreign exchange receipts. Besides, when the contract expires, all these vehicles--which will then be worth 495,000 yuan--will automatically become ours. This is only a very small joint venture in the service field. If we establish joint ventures in the engineering field, we will do more good to our four modernizations. Because jointly managed engineering companies need a large number of employees for contracting domestic and foreign construction, thereby providing a channel for labor employment at home and abroad, we can

also train our technical forces in joint ventures by asking their technical experts to provide technical services. This can be much cheaper than inviting experts from abroad. We can also share one-half of any profits the joint ventures make. Therefore, in view of the four modernizations, establishing such joint ventures is a better channel for technology transfers and employment.

3. Compensation trade

This is a form widely adopted in the United States, Japan, West Europe, the Soviet Union and other developing countries. Its salient feature is combining "technology transfer" with "international trade." In practice, the seller generally provides technical equipment to the buyer, and the buyer pays the seller with products manufactured by using the equipment. The benefit is that we can import advanced and reliable technical equipment without using foreign exchange. Moreover, we can use the marketing channels of the other party to open up international markets and earn more foreign exchange.

Processing and assembling imported materials is a different kind of compensation trade. Its strong point is that we can use foreign technology and equipment to provide employment opportunities at home although we cannot make many profits out of processing. The problem is that the profits we gain from doing processing account for only a very small portion of the commodity profits; most of the profits created by our cheap labor go into the pockets of foreign businessmen. Therefore, to improve economic results, it is absolutely necessary for us to change from processing and assembly to independent production and exports as soon as the technology is in our hand and conditions permit.

4. Risk-bearing system

The main characteristic of the risk-bearing system is that if the investment is unsuccessful, the investors will be responsible for all losses. If the investment is successful, they can ask for greater rewards. Some countries are now using this system to explore and develop oil fields. They use foreign funds and technical equipment to explore and develop oil resources in their own countries. According to the contract, if the exploration work fails or if the discovered oil field has a low yield and a short life expectancy, the host country will not be responsible for the losses and costs. If it succeeds, the host country will give the other party greater rewards and pay for the costs with oil. Host countries generally adopt this system if they cannot afford the costs or are uncertain about the resources. As far as investors are concerned, they are willing to bear the risk because they will have higher profits if they succeed.

In order to transfer technology, we can also adopt such means as consulting services and the leasing of equipment. By these means, we can attain the purpose of technology transfers with only a small amount of money. We should try in a hundred and one ways to transfer advanced technology through various forms and multiple channels, such as conducting scientific and technological exchanges, carrying out design, research and training cooperation, sending selected students abroad, sending graduate students and researchers abroad

to conduct inspections and attend international academic meetings and inviting foreign experts to give lectures in our country.

IV. Building New Plants or Transforming Old Plants?

Shall we focus technology transfers on building new plants or transforming old plants? This is a question of principle. It concerns whether we can improve economic results and speed up the four modernizations. For a long time, we have been zealous in starting new projects and building new plants. We have paid very little attention, however, to equipment renewal and the technical transformation of old plants. This has not only substantially reduced economic results but also caused serious production problems. For example, due to outdated and old equipment and techniques, existing enterprises are unable to make fast progress and turn out advanced products. They just live off their past gains. This has created an unhealthy tendency. To take another example, due to the overextended scale of capital construction, production capacity cannot be formed over a long period of time. This has created a passive situation. Among the items transferred in 1978, 90 percent were over \$100 million. Many were over \$500 million. Some extra-large steel projects have begun construction in a hurry and have cost a huge amount of state investment. Whether they will produce the expected results is questionable, however. This situation in which new projects cannot be completed and old plants cannot increase their production capacity has seriously impeded the development of the national economy.

Judged from the construction experience of all countries, it generally takes a lot of money and time to build a new plant with slow recovery of investment, while it takes less money and time to transform an old plant with a faster recovery of investment and greater accumulation of profits. Therefore, all countries attach great importance to the transformation of old plants. The modernization of American enterprises has been basically fulfilled by adding new instruments and meters to old equipment, continuously updating old equipment and continuously applying new technology. Why did Japan's iron and steel industry develop so rapidly during the postwar years? The key was using transferred advanced technology to transform old enterprises such as the Yawata Iron and Steel Company. The Matsushita Electric Appliance Company, the sixth largest enterprise in Japan, has also rapidly advanced from a small plant by continuously transferring new technology and modifying old equipment. The Soviet Union also attaches great importance to transforming old enterprises. As early as Stalin's era, the Soviet Union imported new technical equipment from America's (?Fluor) company and with the assistance of American experts transformed 40 old plants, thereby accelerating the development of the iron and steel industry in the Soviet Union. They believe they can save 30 to 40 percent in investment and reduce construction time by 3 to 5 years by transforming old plants instead of building new plants. It usually takes 10 to 13 years to build a new plant, but it takes only 6 to 8 years to transform an old plant. China has her own experiences in this regard. In 1973 Shanghai's second wristwatch plant produced only 220,000 watches. In 1974 the plant imported key equipment with 7 million yuan in foreign exchange and conducted technical transformations. In 1976 its output increased to 550,000 watches, 1.5 times higher than before the transformation. According to the calculations of the departments concerned, building a new plant with an annual

production capacity of 300,000 watches needs 14 million yuan and takes 6 years; but transforming an old plant takes only 2 years and requires only half the investment. Transforming an old plant can reduce the construction period by two-thirds, substantially improve the quality of products and increase the production capacity by 1.5 times. This is clear proof of the economic results of transforming old plants, isn't it?

Of course, focusing technology transfers on transforming old plants does not mean not building new plants and new projects. Nevertheless, new plants are limited in number while old plants are numerous. If we do not pay attention to technical transformation, today's new plants will become technically backward old plants. Therefore, implementing the principle of focusing on the transformation of old plants to accelerate the modernization of old enterprises and gradually shift the entire national economy to a new technical foundation is a long-term strategic principle for developing the economy and improving economic results in our country. We should now pay special attention to this strategic change in the course of readjusting the national economy.

V. One or Two Wheels?

Advanced production techniques and modernized management are known in foreign countries as the two wheels for accelerating economic development. Without advanced technical equipment, the improvement of economic results is, of course, impossible. Without modernized management, technical equipment cannot function at full capacity. Nor can it produce the expected economic results no matter how advanced it is. Therefore, the two wheels supplement each other and cannot be separated. This is so with both capitalist production and socialist production. There is no exception.

At present, an extremely noteworthy problem in our country is that in the work of technology transfers, we often pay attention to acquiring hardware and ignore the management of software. In other words, we only want one wheel, not two wheels. This has caused a contradiction between advanced technology and backward management. This is an important reason why some equipment which has high efficiency and good economic results in foreign countries loses efficiency and economic results as soon as it is transferred to our hands. When we say certain equipment has high efficiency, we are comparing it to domestic equipment. If we compare it with foreign equipment, we often find a large gap. Take Tangshan's Douhe, Tianjin's Dagang and Nei Monggol's Yuanbaoshan power plants, for example. These plants make good profits and have transferred technology. They are, of course, advanced compared to domestic plants, but they are not very advanced compared to foreign plants. For instance, in the first 8 months of 1980, the power consumption rates at the main plants of these three power plants were 6.3 to 8.8 percent, 26 to 87 percent higher than the 5 percent in France and the 4.7 percent in Japan. For another example, among the 13 sets of large chemical equipment imported by our country, Japanese models consume 41.7 kWh of electricity for each ton of ammonia, 22.6 percent greater than their designed standard--34 kWh--and American models consume 4.56 kWh, over 1.3 times higher than their designed standard--1.97 kWh.

Why does similar equipment lose efficiency and increase consumption as soon as it gets into our hands? The principal reason is that their two wheels supplement each other and work well together. They pay attention to both advanced technology and management, enabling the two wheels to form a complete system and large-scale specialized socialist production. We always consider our usual practice of seeking "large and complete or small and complete systems with multiple centers" as our "management wheels" and consider technology transfer as our "technology wheel." We try to put these two wheels on the same carriage. In foreign countries, the society runs plants, but in our country, plants run society. Every time a piece of equipment is imported or a plant is built, a small city appears. This city will have everything from production units, hospitals, post offices, stores, farms, transport teams, nurseries, kindergartens, middle and grade schools, guest houses, local police stations and fire brigades. The only thing it will not have is the wheel of modernized management. Therefore, no matter how good and advanced the technology wheel is, such a carriage will not run very fast.

How do we solve the contradiction between advanced technology and backward management? We can make great use of Japan's experience in the postwar years. In the 1950's, Japan began continuously transferring advanced technology and equipment from the United States. Although some modernized managerial skills were also transferred, they did not draw extensive attention in Japan. Many enterprises continued to use the old methods based on administrative orders which they had used before the war. As a result, in spite of the advanced technology and equipment it imported from the United States, Japan still lagged a long way behind the United States in the quality of products, efficiency of production and costs of manufacturing. This situation was very similar to China's situation today. However, after summing up experiences, Japan rapidly corrected the erroneous practice of ignoring management. In the late 1950's, Japan extensively carried out a mass movement to study and apply foreign scientific managerial methods and assimilate them in light of Japanese traditions. By doing so, Japan was soon able to increase the efficiency of management systems and organizations, improve the expertise of managerial personnel and create scientific and automatic systems in managerial methods and skills. It also created a whole set of scientific managerial methods that focused in improving the quality of products and services and suited the national conditions in Japan, solved the contradiction between advanced technology and backward management and made contributions to restoring the reputation of "Oriental goods" and opening up international markets. Some East European countries such as Yugoslavia, Romania and Hungary also have many good experiences in business management which we can make use of. In sum, we must learn to ride on two wheels. While importing advanced technology, we must import corresponding scientific managerial methods. This does not cost much money; yet it can yield substantial benefits. On this basis, we should create a whole set of scientific managerial methods suited to the national conditions in China and make the two wheels support each other to quicken the tempo of socialist construction.

China is now readjusting the national economy. To make further efforts to strive to achieve a fundamental turn for the better in financial and economic situations, we must attach great importance to the economic results of

technology transfers. We should enhance our revolutionary spirit, conscientiously solve existing problems, extensively adopt the strong points of all countries, fully utilize the scientific and technological achievements of our times, raise our standards and quicken our steps to make due contributions to developing our economy and bringing benefits to our people.

12302
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ECONOMIC MANAGEMENT

ESTABLISH INTEGRATED INDEX FOR ECONOMY

HK131447 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 83 pp 37-41

[Article by Yin Daren [1438 1129 0117] of the State Statistical Bureau:
"The Question of Setting Up an Integrated Index for the National Economy"--
dated October 1983; passages within slantlines published underscored]

[Text] Establishing an integrated index with distinctive Chinese features for our national economy in order to accurately reflect the general achievements of the socialist economic activities and the relationships of unity between the growth rate, proportions, and economic results of the development of our national economy and applying this index throughout the whole process of reproduction, including production, distribution, exchange, and consumption is a very important issue. This integrated index should be scientific and feasible in giving guidance to the coordinated development of our national economy and to the management activities of our enterprises and must be suited to our national conditions.

1. On the Gross Output Value of Society As an Index

For the more than 30 years since the founding of the PRC, in our country's planning and statistical work, we have in fact used the gross output value of society, in particular the gross national industrial and agricultural output value, as the major integrated index, and have used this index to reflect the level, speed, and proportional relationships of the development of our national economy. The reason we use this index is mainly that it represents the figures for the most fundamental sectors of material production in our national economy and is simple to calculate, that the data for its calculation are immediately available, and that it generally reflects the general growth rate and scale of production of society and has played a certain role in guiding industrial and agricultural production in all periods.

The gross output value of society is the total sum of the gross output values of all our enterprises; therefore, there are certainly some factors duplicated. The whole national economy is an integrated entity. The duplicated calculation of these factors in arriving at the gross output value of society precisely reflects the mutual relationships between various material production sectors and the production and exchange relations between the two major sectors of production. The statement of the supply and consumption of materials and

goods in our national economy, particularly the statement of consumption and supply of materials in terms of money and the statement of input and output, all reflect and probe into the relationships and transference of materials and goods between departments and enterprises through the factors that are included in duplicated calculation. If we do not compute the gross output value of society, it is impossible for us to study the problems related to consumption and supply in the expanded reproduction in the various sectors of the national economy, to consumption of materials and goods and newly created value, and to the equilibrium between supply, production, and sales. That is why we say that the duplicated calculation of certain factors precisely reflects the entire process of the circulation of the commodity economy in our society and the entire process of the continuously repeated cycles of production and reproduction in material production sectors.

However, the index of gross output value falls short in quite a few aspects. This is particularly true for the gross industrial output value, calculated in accordance with the method used in arriving at the gross output value of a factory, because of the duplicated calculation of transferred value. The more elaborate the division of labor, the larger the number of the factors that are included in duplicated calculation. If we use the total gross industrial output value calculated by this method to represent the total scale and level of development of the industrial economic sector of the entire society, we often take into account quite a few false factors. If we use it in the calculation of the proportional relationships between the various sectors of our national economy, we will often fail to reflect actual conditions. Moreover, the figure for the gross industrial output value is relatively greatly affected by the structure and reorganization of our enterprises. Objectively, the application of this index is apt to give rise to the tendency in some enterprises of pursuing the production of the products of less labor and greater material costs. This is unfavorable to the reduction of material consumption and costs and to the adoption of new technology. However, after improvement in its calculation, this index is still indispensable as an index of computation in the accounting of our national economy.

2. On the Index of the Value of Social Final Products

Social final products are the products that can be used by society in its final stage of consumption and utilization. The value of social final products is the gross value of all the final products of society in money terms.

The material content of final products should include, from the viewpoint of the purpose for which they are used, the following four categories: 1) Consumer goods for the community, which are the most important element in the final products; 2) consumer goods for social bodies; 3) the products produced to increase fixed assets and the reserve of goods and materials; and 4) Products for export. At present, people differ in their views on the question of whether the products used for increasing fixed assets for expanded reproduction can be regarded as final products. Judged from the actual conditions in our country, the most important distinction between final products and intermediate products should be whether the products are suited to the goals

and demands of socialist production and whether the process of social production is completed and no further processing is necessary. Since the products used to increase the fixed assets for expanded reproduction are products that ensure the satisfaction of the continuously increasing demand for social production and ensure the greatest possible increase in the production of consumer goods to meet demand and that can be used in final consumption without further processing, the process of social production of these products is finally completed when they are used as fixed assets.

In theory, the value of social final products does not include the duplicated calculation of the transferred value of intermediate products and materials and can, therefore, relatively correctly reflect the final results of the social production activities. However, because of the actual conditions in our country's current economic management system, planning system, and financial and accounting system, there is a great limitation to the scope of application of the value of social final products. 1) Whether a product is a social final product is determined by how it is finally consumed and manifested in the process of circulation. It is difficult to tell, in the process of the production of some products, whether or not they are final products. For example, coal, electricity, running water, salt, cotton cloth, and paper are final products when they are sold to people to be consumed, but they are intermediate products when they are supplied to enterprises and used in production. This tells us that it is relatively very difficult to judge accurately, in the process of the production of many products, whether they are intermediate or final products. 2) The calculation of the value of social final products is not suitable for the current planning, management, financial, and accounting systems, in which enterprises are regarded as the basic accounting units. Some enterprises only produce intermediate products and therefore do not create any value in social final products. Thus this index cannot reflect the results of the production activities of these enterprises. 3) This index cannot correctly and accurately reflect the structure of our industrial production and the proportional relationship between our light and heavy industries. For the products of the heavy industrial sectors which produce raw materials, fuel, and power are mostly intermediate products rather than final products, while most of the products of the light industrial sectors that produce consumer goods are final products, and therefore these sectors produce relatively greater value in final products. This renders this index unable to reflect correctly the economic or technological structure of our industry. 4) Because the calculation of this index cannot correctly reflect the final results of the industrial production activities of an enterprise or department, we cannot use this index to observe economic results together with other economic indexes. For example, we cannot use this index to calculate the labor productivity of the workers of our industrial enterprises, the ratio of profits to final product value, the ratio of final output value to floating capital employed, the value of fixed assets realized in final output value, or the energy consumption per unit of final output value.

Concerning the calculation of the value of social final products, there are a series of problems related to theory, planning, and statistical methods that have not yet been solved and this index has not yet been used in our country at present.

3. On the Index of Net Social Output Value

Net social output value is the sum of the value that is newly created by the laborers in the material production sectors in a certain period. The value of all the social products consists of two parts: one is the value of the materials consumed in the process of labor. This is called transferred value (C); and the other is the value that has been newly created by animated labor in the process of production (V plus M), and this is the net output value.

The total sum of the new output value of all the material production sectors in our national economy constitutes our national income. In material form, the national income consists of all the means of consumption production in a certain period and the means of production used in expanded reproduction and in increasing reserves. Marx said: "Gross /annual products/ is the result of the consumption of /useful/ labor in a year, but only a part of the /value of these products/ is created in that year. This is the annual /value/ created as /products/ which embody the sum of the imput of labor in the year."* What Marx meant by "gross annual product" was precisely gross social product and the "annual value created as products" was net social output value, or national income.

Because the net output value does not consist of the transferred value of materialized labor, but only consists of the value that is created by animated labor in the process of production, it embodies the total amount of work done in a certain period in society and is the total sum of the newly created material wealth of the entire society. Net output value is an integrated index that reflects the level, speed, proportion and economic results of the development of the various material production sectors of the national economy. In evaluating the achievements scored by an enterprise, a department, or the entire society, what is important is not the amount of transferred value added, but the amount of newly created value. Generally speaking, developing production in fact means increasing newly created value. Continuously increasing new output value is an important strategic goal in developing our national economy.

As, in arriving at net output value, the duplicated calculation of transferred value is excluded, net output value can accurately reflect the amount of labor consumed by an enterprise, a department, or the whole society in earning the national income. Therefore, it is relatively more practical to use the index of net output value to reflect the proportional relationships of the various material production sectors of our national economy. For example, in terms of gross output value, the proportion between industry and agriculture in 1980 was 70:30 but, in terms of net output value, it was 53.7:46.3. Industry had 15.6 percent, while agriculture had 84.4 percent of the total industrial and agricultural labor force. In terms of gross output value, light industry created 46.9 percent of the gross output value in industry, while heavy industry created 53.1 percent. However, in terms of net output value, the percentage

*Marx: "Das Kapital," People's Publishing House, 1975 Edition, Vol 2, p 418.

was 41.4 percent for light industry and 58.6 percent for heavy industry. Obviously, it is more consistent with reality to use net output value as an index to reflect the proportion between industrial and agricultural production and between light and heavy industries, for this can avoid the false impression given by duplicated calculation.

In terms of the form of value, net social output value is $V + M$, that is the sum of wages, profits, and taxation. The increase in the total sum of the net output value of various material production departments is precisely the increase in the national income. Therefore, the increase in net output value is directly related to the improvement in our people's livelihood, the distribution of national income between consumption and accumulation, and the increase in the state's revenue. It provides an important basis in studying the problems related to the all-round equilibrium of the national economy, such as the proportional relationships between the state's revenue and national income, the relationship between socialist expanded reproduction and the overall arrangement of the people's livelihood, and the relationships between the income of the state or enterprise (or collective), and of the individual. We should strive to pursue a continuous and relatively quick growth of social net output value and to create daily increasing material wealth.

An increase in net output value mainly comes from an increase in production or a reduction in material consumption. Under the prerequisite of maintaining prices unchanged, net output value is in direct proportion to increases in production and in inverse proportion to material consumption, and is an integrated index that reflects achievements both in increases in production and in reductions in consumption. For example, in our industrial production, the greater the increase in an enterprise's production, the lower the costs, or the less material consumption, the greater the amount of net output value. Therefore, using net output value as an index of evaluation can urge our enterprises to continuously improve their management and administration, to raise their labor productivity, and to reduce their consumption, and thus facilitate the all-round development of the work of increasing production and practicing economy.

Taking industrial production as an example, there are two methods; namely, the production method and the distribution method, in the traditional approach to calculating net output value.

1. The production method is to arrive at the figure for net output value by deducting material consumption from gross output value. Material consumption includes consumption of materials bought and power purchased from outside, depreciation of fixed assets, transference to provision for the overhauling of equipment, and other overheads. In order to calculate net output value accurately, we must make a clear demarcation between industrial production and nonindustrial production and between material and nonmaterial consumption in our industrial production and must manage to apply identical yardsticks in calculating the value of materials consumed and the gross output value.

Concerning the production method of the calculation of net output value, at present there are still some problems: 1) The basic data for this method are

the statements of production expenses. However, on the one hand, throughout the country, only something over 40,000 enterprises that are taken into account in the state financial budget make these statements every year (not every month or quarter), but in more than 340,000, or 90 percent, of our industrial enterprises, it is as yet impossible to adopt this method of calculation; and on the other hand, most of the former enterprises do not pay attention to the formulation of the statements of production expenses. This makes it even more difficult to arrive at an accurate figure for net output value. 2) In calculating the index of gross output value, we pay attention only to output, and not to input, and thus fail to reflect economic results. The value of a product is included in calculation no matter whether or not it is marketable, rendering this index unable to reflect the quality of the product and the social demand for it. All these factors overstate the net output value calculated by the production method. 3) At present the method of calculation of the gross output value in some departments is irrational and this has already given rise to the overstating of figures to a certain extent. For example, the gross output value of our power industry is calculated by multiplying power output by the sale price of power in accordance with the regulations. The sale price of power includes the factors of power consumed in power plants and power losses along the transmission line and these two factors are not deducted in arriving at the figure for power output. As a result the gross output value of our power industry is overstated.

2. The distribution method is to arrive at the figure for net output value by adding up all the expenses of the various factors that are regarded as being part of the initial distribution of national income because they are the newly created value in our industrial production. These factors include: The profits that an enterprise ought to get from the sales of its products, the taxation it ought to pay for the sales of its products, wages, the amount transferred to the funds for benefits for its staff and workers, the payment of interest, and other expenditure. In order to arrive at an accurate figure for net output value by the distribution method, we must draw a clear demarcation line between industrial production and nonindustrial production expenses and the initial distribution and redistribution of the national income in our basic level enterprises.

In order to match the figures to the reality of production, our statistical system stipulates the calculation of the profits from the sales of products than an enterprise "ought to get" and the product sales tax that it "ought to pay." The former is the balance of gross output value less total costs (including sales expenditure) of the industrial products and the tax that the enterprise output to pay; [as received] while the latter is arrived at by multiplying the gross output value and the tax rate for the trade. As what we get from the calculation are only the "ought to be" figures, there will inevitably be disparity between these figures and the reality and a certain degree of overrating in these figures.

In addition, in either the production or the distribution method, there are the following shortcomings: 1) they cannot be freed from the restriction and defects of the index of gross output value. As a result, the net output value,

calculated on the basis of the gross output value, will surely have some defects. 2) The calculation in both methods takes into account certain assumed factors and this will certainly give rise to disparity between the figures arrived at and the actual state of affairs in the enterprise. Thus, the net output value figure is not soundly based.

In order to make the figure for net output value more accurate, so as to make this index meet more satisfactorily the demands of the administration and management of industrial production, we must reform the method for the calculation of net output value and thus enable it to meet the demand for the calculation of national income and social economic results. The calculation of the distribution of our national income between consumption and accumulation and the calculation of the results in raising social economic results should all be based on the realized income of the material production sectors. If our work is arranged in accordance with the "ought-to-be" figures, the phenomenon of "our industry reports good news while our commerce reports bad news, our finances receive nominal revenue and our warehouses are stockpiling" will inevitably emerge. Therefore, since our industrial statistical work is to be switched from being geared to production to being geared to the management of production, the method of calculation of net output value should also be switched from the calculation of the results of production, using the "ought-to-be" figures, to that of the results of management, using the "realized" figures.

In understanding the problem, only through the switch from the viewpoint geared to production to the viewpoint geared to production management can we understand what Marx meant by the final completion of material products. Marx said, "because only the products that go into the process of consumption can become real products; for example, a piece of clothing becomes real clothing because of the action of wearing it, and a house with no one dwelling in it cannot in fact become a real house; products differ from pure natural objects and they prove that they are products in the process of consumption and thus become products. Only when a product is consumed in the process of consumption can a product be finally /completed/, because the reason a product is a product is not because it is the materialization of activities, but because it is the object of the subject that conducts the activities."* From this we can see that no product is a "real product" or a "finally completed product" before it enters the process of consumption and, before this process, a product has only the "potential to become a product." Of course, all the value and use value of a product is created in the process of production, but this is only a "latent" value and use value. Only when a product enters the process of consumption through circulation and exchange can its value be realized and can its use value be actually utilized.

The aim of socialist production is to satisfy the daily increasing demand resulting from the people's material and cultural lives, and, therefore, the development of production must be based on raising social economic results. Under the existing commodity economy in our country, the consumption of

*Marx: "Selected Works of Marx and Engels: Vol 2, p 94: "Introduction of Critique of Political Economics," Vol 2, p 94.

personal consumer goods or of the means of production must be realized through exchange in the market. Therefore, only when a product meets social demand and is actually sold can the labor spent in producing it become socially necessary labor and can the consumption of animated and materialized labor be compensated for, profits be earned, and reproduction be continued. By contrast, if a product we produce does not meet social demand and is stockpiled for a long time, its value and use value thus not being acknowledged by society, the labor spent in producing it is wasted. The larger the number of these products, the greater the waste.

Using the yardstick of realization to calculate net industrial output value has many advantages: 1) It facilitates meeting the demand for the actual spending of the national income. 2) It facilitates observing whether the value and use value created by an enterprise is acknowledged by society, whether the requirements of raising social economic results and increasing the state's revenue are satisfied. 3) It facilitates the improvement in our enterprises of their administration and management in the light of the degree of marketability of their products. 4) In calculating it, we can use directly the accounting data and thus the figures are true and the quality of the figure for net output value is improved. This also simplifies the procedure of the work of calculation and quickens the calculation of net output value. Therefore, using the yardstick of realization to calculate net output value is more suited to the practical conditions in our country.

Of course, the process of the reproduction of the production, distribution, exchange, and consumption of materials should be observed stage by stage separately. For example, in our industrial statistical work, we should establish a full set of index systems for all the sectors such as "supply, production, sales, and storage" in order to facilitate the separate and combined observation of the reproduction cycles in our industry. However, as an integrated economic index to evaluate the work of increasing production and practicing economy and as an index for the calculation of the actual spending of the national income, net output value must be based on its social realization. Only by so doing can this index be a sound one, not "overstating" in calculating the speed, proportions, and economic results in our economic development.

The calculation of new output value is more complicated and difficult than that of gross output value. The calculation of net output value is based mainly on financial and accounting data. This gives rise to the demand for the solution of the issues of making the classification of the accounting items meet the needs for the calculation of the national income and of raising the up-to-date nature of our accounting work and then proceeding to raise the up-to-date nature of the calculation of the national income.

Therefore, I am of the opinion that we should carry out appropriate reform in the classification of our accounting items. At present, there is relatively great contradiction between accounting and statistical calculation: 1) No demarcation line is drawn between C (material production), V (consumption of animated labor), and M (surplus products) in the classification of certain accounting items. For example, the expenses of C and V are mixed in the cost

ledger of products, such as the workshop overheads account and the administration expense account of the enterprise. This needs no further explanation. Even in the raw material and fuel and power ledgers which are on the surface entirely for material consumption, there is in fact a mixture of material and nonmaterial consumption, because wages for carriage of raw materials, travel expense of purchase staff, awards for achievement in practicing economy, and allocated charges for the maintenance of utility undertakings in counties and towns are all included in these ledgers. 2) Some of the classification of accounting items fail to make a clear distinction between the initial distribution and the redistribution of the national income in our enterprises. This is apt to lead to duplicated calculation and omission of certain factors in the calculation of new output value. 3) It is necessary to divide into processes (according to the division of workshops and branch factories) in calculating costs and production expenditure. However, it is a shortcoming that we fail to proceed from the idea of regarding the enterprise as an integrated entity in calculating total costs and total production expenditure of a product. We should say that the calculation of the gross output value of the final products of an enterprise by the "factory method" indeed goes a step further than the calculation of the total turnover of the factory by the "workshop method," because it eliminates a factor of duplicated calculation in the enterprise. In our current accounting work, we mainly adopt the method of process costing to calculate the total cost of a product and thus the total factory cost in an enterprise includes factors of duplicated calculation. As a result, the irrational phenomenon emerged in 1982 of the total costs of the commodities produced in the coal industry owned by the whole people throughout the nation being 12.9 percent more than the gross output value. This is worth our further research for the discovery of a solution.

Using current prices in calculating net output value is suited to the requirements of the accounting, administration, and management in our enterprises. However, when we use net output value to calculate the speed of development of our national economy, we should exclude the fluctuation of prices. There are three methods: 1) We formulate price indexes, including the ex-factory price index and the purchase price index, for the materials consumed. 2) We formulate a set of fixed prices for the calculation of net output value. 3) We calculate the variation in ex-factory prices and the material price variation to adjust net output value and thus make it comparable. It seems now that the third method is relatively feasible. It is suitable in analyzing the rising or falling trends in net output value, profits, and costs. It can appropriately be used in our enterprises and complex organizations at various levels and will enable the results of the adjustment to match each other in various sections. It is precisely because this variation adjustment proceeds from the conditions in the enterprises that it is relatively easy to work it out and to be nearer to actual conditions.

At present the index of net output value is relatively greatly affected by the pricing policy and the profit distribution policy. Moreover, as there is still a certain degree of disparity between the prices and value of our products and in the transference of the value created in one enterprise or department to another, net output value calculated from prices cannot fully reflect the value created by an enterprise or department and can only reflect national income achieved by our enterprises and departments.

FINANCE AND BANKING

IMPROVEMENT OF AGRICULTURAL LOAN RECALL REPORTED

Beijing JINGJI RIBAO in Chinese 17 Dec 83 p 1

[Article by staff: "In a Talk to reporters, the Responsible Person of the Agricultural Bank of China Pointed Out That the Recall of Agricultural Loans Surpassed Last Year But Must Continue To Be Firmly Controlled"]

[Text] In a recent talk to reporters, the responsible person of the Agricultural Bank of China pointed out that the situation of agricultural loan recall was good this year [1983]. In the month of November alone, the agricultural banks and trusts in the country had a net recall of 4.7 billion yuan, an increase of 98.3 percent over the same period a year ago. However, judging from the present situation, it was not a situation in which one could afford to lower one's guard. The recall of loans must continue to be firmly controlled according to policy.

This responsible person analyzed the causes for the improved situation this year. He said that after the release of the Document No 1 of the party Central Committee the production activity of the large peasant population was further mobilized, the rural commodity economy developed with vitality, and peasant income showed a larger increase. Because of the expansion of the joint family production contract responsibility system, the peasants were willing to invest in the land. Moreover, they paid attention to economic benefits. As a result, the granting and utilization of agricultural loans were both improved. Also, the leadership in the loan recall work was strengthened in all locations, and the work of the financial cadres was done in depth and was detailed and firmly controlled.

With an abundant harvest, the peasants did not forget the support provided by the state and one after another repaid their loans voluntarily. In the 3 months of September, October and November, the net recall in the country was 7.8 billion yuan, compared to only 3.9 billion yuan during the same period last year.

The responsible person of the Agricultural Bank said that in spite of the very good situation in loan recalls, the work could not be relaxed. A small number of regions suffered relatively seriously from natural disasters, and it was possible that some of the loans could not be recalled when they came due. And some of the good harvest areas were mainly in the northwest where, because of weather and storage capacity, food-grain procurement would be

delayed and the peasants would not be able to get their money to repay the loans on a timely basis. Moreover, the work of recalling loans was also unbalanced. In some areas, the work had not been firmly controlled and had not been detailed enough, and the progress in loan recall had been slow. It was hoped that the various areas would further strengthen their leadership in this work, and the various levels of agricultural banks and trusts must move ahead to investigate and analyze the situation and solve existing problems.

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FINANCE AND BANKING

SUBSCRIPTION PLAN FOR TREASURY BONDS OVERFULFILLED

Beijing JINGJI RIBAO in Chinese 19 Dec 83 p 1

[Article by Mei Jiamo [2734 0159 6206]: "This Year's Subscription Plan for Treasury Bonds Overfulfilled"]

[Text] According to the statistics of the Ministry of Finance, by the end of November 4,082 million yuan had been turned over for treasury bonds subscribed in the entire country, exceeding by 2 percent the present task of treasury bond subscriptions for this year [1983].

Except for Neimenggu, Shanghai, Shandong, Hunan and Guangxi, all provinces, municipalities and autonomous regions have overfulfilled their tasks. Those which have exceeded their quota by a larger margin are Xinjiang, Beijing, Xizang, Gansu, Anhui, Ningxia and Henan.

The units of central government enterprises and businesses and the units of party and political agencies and groups turned over a total of 538 million yuan for their subscribed treasury bonds, exceeding the year's tasks allocated by the state by 34.5 percent. Among them, the Ministry of Ordnance Industry exceeded its year's quota by more than 100 percent. Agencies directly under the party Central Committee exceeded their quota by 42.5 percent.

The People's Liberation Army turned over 158.58 million yuan for its subscription of treasury bonds, exceeding the state-allocated task by 58.6 percent.

Since 1981, when the treasury bonds were first issued, the yearly tasks have been completed for 3 years in a row. The bonds issued during the 3 years total more than 13.26 billion yuan, including 4.86 billion in 1981 and more than 4.318 billion in 1982. This is the result of the strengthening of leadership in this work by the various levels of the government and the active subscription by the vast cadres and masses. The issuance of the treasury bonds has had an important effect in supporting the priority constructions of the state and other businesses.

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FINANCE AND BANKING

BRIEFS

STATE REVENUE PLAN FULFILLED AHEAD OF SCHEDULE--Up to the 10th of this month, the annual state revenue plan for the whole province was already overfulfilled by 1.9 percent, with an increase of 9 percent over the corresponding period of last year. Of this revenue, 10 percent is derived from the industrial and commercial income tax. Eight out of the 11 municipalities directly under the provincial government have already overfulfilled the plan of collecting the revenue which the provincial government had fixed for them. The efficiency with which this year's provincial revenue has been collected was mainly due to the following reasons: 1) The party committees and governments at all levels showed great concern for financial affairs and placed financial work high on their agendas; 2) the state-operated enterprises switched from profit-delivery to outright taxation, which insured a greater share for the state; 3) the work of turning losses into profits in the enterprises was vigorously pursued, and up to the end of November, deficits in local state-operated enterprises throughout the province were reduced 41 percent; and 4) control over financial and tax affairs has been straightened, an overall general inspection of financial affairs in enterprises has been launched, financial and economic discipline has been tightened and occurrences of "escape, fraud, trickling contributions and evasions" in financial and tax matters have been stopped. [Text] [Nanjing XINHUA RIBAO in Chinese 16 Dec 83 p 1] 9808

CSO: 4006/190

INDUSTRY

ACHIEVEMENTS NOTED IN PRC ELECTRONICS INDUSTRY

HK091104 Beijing JINGJI RIBAO in Chinese 1 Feb 84 p 1

[Report by "contributing" reporters Zhang Qiang [1728 1730] and Zheng Pangwen [6774 2372 2429]: "Unprecedentedly Remarkable Development Has Been Made in China's Electronics Industry"]

[Text] China's electronics industry department, centered on raising economic results and focusing on production of military electronic equipment, electronic computers, and large-scale integrated circuits, has firmly grasped enterprise consolidation and the raising of economic results, which has promoted technological development. In 1983, unprecedentedly remarkable achievements were made in the department.

The remarkable achievements made in the electronics industry are:

1. There has been a rapid increase in economic results. The department fulfilled, 2 months ahead of schedule, last year's target for total industrial output value, marking an increase of 27 percent over the preceding year. The profits achieved by the department increased by 74 percent compared with the preceding year. The increased profits rate exceeded the output value rate. Among the profits achieved by the entire electronics industry department, the profits achieved by enterprises directly under the Ministry of Electronics Industry increased by 49 percent, compared with the preceding year, and the profits achieved by local electronics industry enterprises increased by 88 percent, compared with the preceding year. Of all 15 provinces and autonomous regions which suffered losses in the electronics industry in the past, 13 changed losses into profits.

2. There has been a large increase in the output of electronic products. The output of most products increased considerably when compared with the preceding year. Large, medium and small electronic computers increased by 50.6 percent; minicomputers by 120 percent; single plate computers by 68 percent; communications and navigation equipment by 60 percent; integrated circuits by 75 percent; television sets by 10.9 (color television sets by 76.1 percent); radio sets by 17.8 percent; and tape recorders by 31.1 percent.

3. There has been considerable improvement in the quality of products. In 1983, four electronic products won the national golden prizes and 31 won the

national silver prizes. Integrated circuits and electronic computers for the first time ranked among the products winning the national fine quality prizes. There has been remarkable improvement in perpetual operation of some electronic equipment and in the realiability of some electronic components. A kinescope can be used for more than 8,000 hours.

4. Remarkable achievements have been made in enterprise consolidation. Over the past year, the enterprises which reached the accepted standard set by the electronics industry department accounted for 32.5 percent of the total enterprises. About 95.4 percent of the enterprises directly under the Ministry of Electronics Industry have reorganized their leading bodies according to the "four requirements" on cadres. In those enterprises which have carried out consolidation, basic management work has been improved greatly and enterprise quality has been upgraded significantly.

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INDUSTRY

OFFICIAL DOCUMENTS EXHIBIT REVEALS RED TAPE

OW061423 Beijing XINHUA Domestic Service in Chinese 0840 GMT 6 Feb 84

[By reporters Wei Guanglang and Gu Honghong]

[Text] Beijing, 6 Feb (XINHUA)--The reporters recently saw a thought-provoking exhibition of official documents at the Ministry of Electronics Industry. It once again shows that it is indeed of great urgency to solve the problem of bureaucracy in some leading organs as manifest in the excessive quantities of official documents and the loss of contact with reality.

The exhibition provides these figures: The Ministry of Electronics Industry dispatched 3,131 official documents in 1983, a 13.5 percent increase over 1982, averaging more than 30,000 words per day and about 10 documents dispatched each working day.

Also displayed are nearly 100 real documents accompanied by pictorial and written explanations, criticizing departments and responsible persons by name for their bureaucratic practices characterized by red tape and transmission of documents.

One of the more glaring cases shows what happened to a document from higher authorities to the ministry giving approval to its request for 400,000 yuan to be used for technical measures by an enterprise under its jurisdiction. The money was requested by the ministry itself. However, when the document reached the ministry, it was passed around among several units for 47 days during which time five or six directors and deputy directors of bureaus and departments read, commented and drew small circles on the document. By the time the procedures were completed, the deadline set for the 400,000 yuan had passed, and so a new request had to be made to the higher authorities for the same amount of money.

It is learned that the ministry's swamping by documents is linked with its endless meetings of all kinds. In the past year, the ministry held 154 meetings, averaging one meeting every other working day. Members of the ministry's leading party group attended meetings almost daily. Tied down by endless meetings, it was difficult for them to go deep into reality, conduct investigation, and study and solve problems.

Since the beginning of the party rectification, the members of the leading party group of the Ministry of Electronics Industry have taken the lead in making self-criticisms with regard to these problems and at the same time aroused the cadres, workers and staff members to make criticisms. All have come to deeply feel the urgency of freeing themselves from the "mountain of documents and sea of meetings" to combating bureaucracy and improving leadership style and made up their minds to change their work style while rectifying the party. Now they have begun to simplify official documents. It has been decided that urgent documents must be handled promptly and delivered directly to the relevant departments without delay, and that no official documents should be sent on issues which can be decided on face to face or accomplished with informal letters. In the meantime, since the beginning of this year, the ministry's leading party group has made a decision to strictly control meetings. According to the decision, meetings which can either be held or not be held must not be held; meetings which can be combined should not be held separately; and certain meetings should to the extent possible be held on the spot. They have adopted measures to cut down the number of meetings to be held in the first quarter of this year to 14, as compared to 38 in the same period last year, and the duration of each meeting should also be appropriately shortened. The ministry's leading party group has also established a system under which no meetings will be held on 2 days of each week so that its members can have time to conduct investigation and study and help the grassroots units solve practical problems.

CSO: 4013/103

INDUSTRY

USE OF MICROELECTRONICS TECHNOLOGY ENCOURAGED

OW060255 Beijing XINHUA in English 0233 GMT 6 Feb 84

[Text] Beijing, 6 February (XINHUA)--China is producing nearly 300 types of medium and small-scale integrated circuits according to international standards, Vice-Minister of Electronics Industry Wei Mingyi said here.

The country has basically mastered the technology for the manufacture of large-scale integrated circuits with 10,000 elements, but still lags behind the advanced nations in spite of rapid progress, he said.

China's modernization drive will give special priority to development of microelectronics technology, Vice-Minister Wei added, noting that a centralized planning to pool the now scattered efforts was the key.

At the same time, he stressed, promoting wider use of microprocessors was vital to the technical transformation of various sectors of the national economy.

The move into microprocessors is led by Shanghai, which has set up a special group to oversee the research, application and production of integrated circuits and computer technology. Its aim for 1990 is to bring 70 to 80 percent of its major electronics products up to advanced international levels of the late 1970's or early 1980's.

The Shanghai railway center has already adopted computers to aid transport forecasting, helping it earn an additional 60 million yuan in 1983. Computers are used in 150 other enterprises of different trades in the city to improve management.

Shanghai has also set up a computer software technology development center.

Micro-processors are now being used throughout China in agriculture, finance, trade, posts and telecommunications, education and transport.

Some institutes of agricultural sciences have set up data banks and begun to provide index services to users.

The State Administrative Bureau of Supplies and 20 city bureaus and companies use computers for material distribution.

In statistical work, China set up computer centers in 28 provinces, municipalities and autonomous regions with the help of the United Nations for the computation of data collected in the 1982 national census. As the census data processing is being wound up, the State Statistical Bureau will use computers for regular processing of statistics on peasants' and workers' living standards, population change sampling, basic data of large enterprises and of counties and cities.

To prepare economic leaders for the use of computers, short-term courses are run across the country. The Beijing Municipal Economic Commission opened a class for enterprise leaders last month to acquaint them with world developments. In Chengdu, capital of Sichuan Province, 250 leading officials attended a recent class. Tianjin municipality, which plans to import 2,000 micro-computer systems this year, has prepared a personnel training program.

Fujian Province held an exhibition on micro-processors late last month, drawing 6,000 visitors in 8 days. The province has also given lectures and video-tape shows to spread information.

CSO: 4010/48

INDUSTRY

ANSHAN TO PRODUCE MORE LOW-ALLOY STEEL

OW081141 Beijing XINHUA in English 0901 GMT 8 Feb 84

[Text] Shenyang, 8 February (XINHUA)--The Anshan Iron and Steel Company in northeast China plans to produce 1.5 million tons of low-alloy steels and develop 21 new grades of such steel in 1984, company officials said today. This would mean a substantial cut in China's import of low-alloy steel which is now in short supply.

The company, one of China's major iron and steel centers, developed 19 new grades of low-alloy steel in 1983, including 55 petroleum pipes, hot rolled steel rims for automobiles and medium manganese heavy rail steel. Its output of low-alloy steels in the year was 1.1 million tons, or about a quarter of China's low-alloy steel output, topping the target of 4.5 million tons set for 1985. Low-alloy steel is widely applied in making satellites, missiles, atomic reactors, integrated circuits and oil drilling equipment.

China began to produce low-alloy steels in the early 1950's. But output has remained low. It was only in recent years that the Anshan Iron and Steel Company organized eight technical groups devoted to the research and development of low-alloy steel. The products of their research helped meet the needs of China's oil and chemical industries. The hot rolled automobile rim steel and medium manganese heavy rail steel won the state gold medals. It is expected that the Anshan Iron and Steel Company will become China's major low-alloy steel production center.

CSO: 4010/48

INDUSTRY

BRIEFS

IMPORTED CHEMICAL INSTALLATIONS--Changchun, 3 February (XINHUA)--Four imported installations producing ethanol, acetic aldehyde, butadiene-styrene rubber, butanol and octanol have all met their designed capacities in trial operation at the Jilin Chemical Industry Company, China's largest, in northeast China. Three imported from the Federal Republic of Germany and one from Japan, the installations are designed to produce 100,000 tons of ethanol, 60,000 tons of acetic aldehyde, 80,000 tons of butadiene-styrene rubber and 57,000 tons of butanol and octanol a year, which will meet needs in China. Since going into trial operation in June, 1982, they had produced a total of 232,900 tons of products by the end of last year. Updating of the company, built in China's first 5-year plan period (1953-1957), was started as a key state project in 1978. The project also includes six domestically-made installations for producing ethylene, styrene, butadiene, acetic acid, synthetic gas and aromatic hydrocarbon. [Text] [OW031347 Beijing XINHUA in English 1255 GMT 3 Feb 84]

SHANDONG QILU ETHYLENE PROJECT--The overall planning and designing for the Qilu ethylene project recently received approval by the State Economic Commission. Located in Zibo City, Shandong Province, this project requires an investment of 4.65 billion yuan. The 10 sets of equipment to be installed were imported from Japan, England, the FRG and other countries, and most of the subsidiary equipment will be designed and made domestically. The first-stage project will be basically completed by 1986 and the second stage will be basically completed by 1988. After completion, this project will produce 450,000 tons of plastics, 80,000 tons of rubber, and 738,000 tons of chemical raw materials annually and the output value will be 2.57 billion yuan. The total investment will be recouped in 5 years and 6 months. So far, warehouses with a total area of 130,000 square meters have been completed at the western construction site and about 73,000 tons of imported equipment have been transported to the construction site. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Feb 84 SK]

FUJIAN ELECTRONICS INDUSTRY--Fuzhou, 12 Jan (XINHUA)--Fujian has actively developed its electronics industry. Its total output value in 1983 exceeded 460 million yuan, an increase of 47 percent over 1982. It delivered taxes and profits totaling 28 million yuan to the state, an increase of 36.9 percent over 1982. Fujian now has 108 electronics industrial enterprises, and 4 provincial research institutes. Fujian's electronics industry departments now employ more than 20,000 staff members and workers and over 1,500 technical personnel. The annual capacity includes 500,000 TV sets, 250,000 radio-tape recorders, and 500,000 radios. [Summary] [OW031928 Beijing XINHUA Domestic Service in Chinese 0056 GMT 12 Jan 84]

DOMESTIC TRADE

MARKET FOR SMALL INDUSTRIAL COMMODITIES DISCUSSED

Kunming YUNNAN WUZI SHICHANG in Chinese 1 Dec 83 p 4

[Article by Huang Shaomin [7806 1421 3046], Li Yan [2621 6056] and Chen Meilan [7115 5019 5695]: "Development of Specialized and Priority Households Paves Way for Broader Markets for Hardware, Transport Vehicles and Chemical Goods in the Rural Areas"]

[Text] Presently the system of the "two households" is rapidly developing in the rural areas. Looking only at the situation in the two districts of Tonghai and Yuxi, in 1982 there had been only 1,380 "two-household" households in Tonghai, but by the end of June 1983 the number had grown to 4,385, which is 10 percent of the total number of peasant households in the county. Yuxi had 4,005 "two-household" households in 1982, but by the first half of 1983 they had grown to 9,436 households, or 16.7 percent of all peasant households, higher than the national average (10 percent).

The development of the "two households" brought about a gradual expansion of the percentage of marketable agricultural and sideline products. Tonghai has a temperate climate and abundant water, and in recent years its people have worked hard to develop vegetable production. In 1982 its total vegetable production was 30 million jin, which was not only sufficient to satisfy all local needs but allowed 20 million jin to be shipped out for sale to various places within and outside of our province and also to Beijing and Tianjin. The arrival of garlic sprouts, cauliflower, onions and other vegetables in the markets of Beijing in the depth of winter was highly welcome to the people of the capital. The increase in the percentage of marketable vegetable products stimulated the weaving of bamboo ware (figuring 50 kg per basket, the entire county needs about 200,000 large bamboo baskets a year for the packing of vegetables). All the 18 households in the No 12 Brigade of Dongcun in Yangguang Commune became "specialized households" engaged in basket weaving. Among them the household of Ding Chuanying, a family of 6, could weave over 30 baskets a day. Each basket brought a net income of 1.20 yuan, so that the whole family could earn over 40 yuan per day. While working the land in the farming season and weaving baskets in the slack season, the Ding household's annual income last year was over 11,000 yuan. In the first half of 1983 they were awarded the honorific title of "distinguished household creating abundance through labor" in Yuxi County. However, this particular household rank ranked only fifth in income in the said brigade.

After the income of commune members had increased by a big margin, investments were first made in house constructions, but now building activities are already drawing to their end in the high plateau lands of Yuxi and Tonghai. A large part of the newly gained income of the "two-household" households will in the future be invested in durable consumer goods, among which bicycles, recorders and other electrical items for the home will be the main goods to be purchased. According to an investigation of the 18 families, they were found to have 3 television sets, 30 bicycles and 15 recorders. Members of the commune expressed the opinion that if famous-brand bicycles were available, each family would put up money to buy another three bicycles.

Specialized households that engage in other trades are more or less in a similar position. For instance, among the 60 households in Daxing No 6 Brigade of Yangguang Commune, 41 households are "specialized households." They manufacture musical instruments and brass utensils. Each household has an annual income of 3,000 to 5,000 yuan, and the 41 households have bought 11 television sets (4 of them color).

The hardware, transport vehicle and chemical goods market in the rural areas shows four special peculiarities: 1) The capacity of the market is very large. The purchasing power of the commune members, especially those belonging to the "two-household" type, by far surpasses that of the residents of cities and townships. In the above-mentioned Daxing No 6 Brigade, 60 households have 11 television sets, but the 80 households in the residential compound of the Tonghai County party secretariat have only 2 sets. 2) The potential of the market is very large. For instance, a specialized chicken farmer, Gao Yunxiang, in the Luoji Production Brigade of Hexi Commune told us that if famous-brand bicycles were available, a supply of 1,000 bicycles to that production brigade would still fall short of demand. 3) There is a great discriminating astuteness toward the hardware, transport vehicles and chemical goods; customers are no less demanding as to famous brands and stylishness than are the people in the cities. 4) There is the desire to equal the cities as to beautiful environment and living conditions. Much oil paint and whitewash is expended on newly built houses, whose interiors are equipped with rotating fluorescent lamps and individual safety locks. Bicycles are required to have multiple gears and to be lightweight. All these new conditions deserve our serious attention.

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DOMESTIC TRADE

DETAILED RULES, REGULATIONS FOR COUNTRY FAIR TRADE PROMULGATED IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 19 Nov 83 p 1

[Article by staff: "Further Enliven and Properly Manage Urban and Rural Country Fair of Our Province: Provincial People's Government Promulgates Detailed Rules and Regulations for Management of Urban and Rural Country Fair Trade"]

[Text] The provincial people's government recently promulgated the "Detailed Rules and Regulations for Urban and Rural Country Fair Trade of Yunnan Province."

The "Detailed Rules and Regulations" specify that the departments responsible for the administrative management of our province's urban and rural country fair trade markets (including various special markets for foodgrains, oils, large livestock and daily industrial products) are the various levels of the industrial and commercial administrative management agencies. Various related commercial, supply and sales, food, public security, communications and transportation, taxation, pricing, public health, banking, measurement, agricultural and urban construction departments must actively demonstrate their individual functions, coordinate with the industrial and commercial management agencies and jointly enliven and properly manage the urban and rural country fair markets.

The "Detailed Rules and Regulations" make stipulations on goods and materials that may be traded on the markets. Except for items not permitted under central government and provincial regulations, all goods and materials may be traded. Without the approval of the provincial people's government, local areas may not forbid additional goods and materials for trading on the markets. For all agricultural and sideline products under centralized procurement and assigned procurement, the production units and individuals must fulfill the state task according to quality, quantity and schedule. Until the state task is fulfilled, the products cannot be sold on the market. State-operated commercial businesses and supply and sales cooperatives must guarantee the completion of the state plan by signing economic contracts. The trading of livestock must carry vaccination and epidemic prevention injection certificates from epidemic prevention veterinary departments.

The "Detailed Rules and Regulations" clearly stipulate that production units of rural collective organizations and individual peasants may purchase large

livestock and transport them for sale. To purchase large livestock from border regions, the buyer must obtain agreement from the region's county livestock veterinary (agricultural) department, and the purchase must be made at the designated location. When production units of rural collective organizations, individual peasants, licensed traders and cooperative businesses are engaged in commercial sale and transport activities according to regulations, they are not restricted by administrative divisions, distance of travel and means of transportation. They may engage in the retail and wholesale of minor quantities of the three categories of small commodities under industrial consumer goods. The units and individuals engaged in sale and transport activities must hold sale and transport licenses issued by the industrial and commercial administrative management agencies. The "Detailed Rules and Regulations" specify that all industrial products (including processed goods and damaged goods and seconds) permitted for sale by the state in the country fair market must be clearly marked with prices and must be priced according to quality. Using measurement tools for unlawful activities, disturbing the economic order of the market and harming the interest of the masses are forbidden. Activities which offend public decency, which are corrupt and uncivilized, which are terrorizing, which destroy the mental and physical health of the perpetrator or which undermine the social spiritual civilization are strictly forbidden in the country fair markets.

The "Detailed Rules and Regulations" also emphasize that licenses for urban and rural country fair grounds are to be issued by the urban and rural construction management agencies. The grounds are to be centrally managed by the industrial and commercial administrative management departments. No unit or individual may occupy any grounds without authorization. Any such occupation should be forcibly removed. The market management personnel have the authority to investigate and question any person who violates the regulations and laws. When the industrial and commercial administrative management agencies carry out their functions, no unit or individual may engage in acts of interference, obstruction or defiance. The "Detailed Rules and Regulations" also stipulate that no unit or individual is permitted to collect any fees in the country fair market besides the taxes collected by tax revenue departments, market management fees collected by the industrial and commercial administrative management departments and the fees collected by the disease examination departments. Any unlawful fees collected under any concocted pretexts will be confiscated. For the repeat offenders, fines may also be levied.

The "Detailed Rules and Regulations" finally stipulate that units and individuals who inform on, expose or assist in the investigation and discovery of activities of speculation and profiteering will be given spiritual encouragement or material reward by the industrial and commercial administrative management agencies according to related regulations. For assaulting industrial and commercial administrative management agencies, attacking the personnel of the agencies and tax collectors or passing oneself off as such personnel, and extorting money and materials from the masses or swindling them out of their money and materials, the violator will be handled according to the law by the judicial agencies, in addition to being forced to compensate for all damages.

FOREIGN TRADE

PRC EXPANDS FOREIGN TRADE, ECONOMIC EXCHANGES

OW100901 Beijing XINHUA in English 0720 GMT 10 Feb 84

[Text] Beijing, 10 February (XINHUA)—China registered a foreign trade surplus of 1.97 billion yuan (nearly 1 billion U.S. dollars) in 1983, according to official figures released here today.

Xu Gang, deputy director of the State Statistical Bureau, said imports and exports were valued at a total of 86.11 billion yuan last year, up 11.5 percent over 1982. The rise came to 4.9 percent after fluctuations in exchange rates were deducted, he added.

Exports reached 44.04 billion yuan, up 6.3 percent, while imports increased by 17.6 percent to 42.07 billion yuan. Deductions for exchange rate fluctuations and price falls yielded an 11 percent rise in export trade and a 29.4 percent jump in imports over 1982, Xu said.

Overseas sales of primary products dropped 3.8 percent last year to 43.3 percent of China's total exports, against 45 percent in 1982. This was mainly due to falling prices in the international market, he said.

Cereal imports declined by 19.6 percent last year, while cotton purchases dropped by 51.1 percent and edible oil by 38.4 percent, reflecting a higher degree of self-sufficiency in major agricultural products following successive years of good harvests, Xu added.

Foreign investment in China also increased last year, he said. According to the Ministry of Foreign Economic Relations and Trade, 105 new joint ventures worth 515 million U.S. dollars were approved in 1983. Overseas firms contributed more than 200 million U.S. dollars, topping the total of the previous 4 years.

Various departments and local authorities also signed about 200 cooperative management project contracts with foreign firms, involving about 180 million U.S. dollars in foreign investment, Xu added.

Loans made to China under agreements signed with foreign governments and international monetary organizations amounted to 1.33 billion U.S. dollars in 1983, he added.

China received 9.477 million tourists and other visitors last year, 1.533 million more than in 1982, he said. Among them were 873,000 foreigners, an increase of 109,000, 40,000 overseas Chinese, a decrease of 3,000; and 8.564 million people from Hong Kong, Macao and Taiwan, a gain of 1.447 million.

FOREIGN TRADE

PRC IMPROVES IMPORT-EXPORT COMMODITY INSPECTION

OW081632 Beijing XINHUA in English 1601 GMT 8 Feb 84

[Text] Beijing, 8 February (XINHUA)--The State Council has published a set of regulations to improve inspection of import and export commodities, XINHUA learned today.

All import and export commodities shall undergo inspections for quality, weight, quantity and packaging, according to the "Regulations on the Inspection of Import and Export Commodities of the People's Republic of China." The document replaces provisional regulations for the same purpose published in 1954.

It prohibits the selling or use of imported commodities not yet inspected. Imported machinery shall not be installed unless inspections are made.

No commodities shall be exported without being inspected first, and commodities which fail to pass inspections shall not be exported.

Inspections shall be carried out in accordance with standards prescribed in the relevant contracts. Where no standards are prescribed in contracts, the document says, state and other relevant standards shall be applied.

The inspection of pharmaceuticals, foodstuffs, measuring instruments, boilers and vessels and the quarantine of animals and plants shall be carried out in accordance with relevant state regulations.

No foreign inspection offices shall be established within the territory of the People's Republic of China, the document says.

The State Administration for the Inspection of Import and Export Commodities shall be the authority in charge of inspection throughout China.

The regulations, which was approved by the State Council on 28 January, are designed to uphold China's credit and the legitimate rights of all parties in foreign trade transactions.

CSO: 4020/068

FOREIGN TRADE

EXPLANATION OF CHINESE-FOREIGN COOPERATIVE ENTERPRISES

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 11, 27 Nov 83 pp 19-23

[Article by Liu Chu, assistant chief of the Ministry of Foreign Economic Relations and Trade Bureau of Laws and Regulations: "Rules and Regulations for the Utilization of Foreign Funds, With Characteristics Special to China"]

[Text] The State Council recently issued the "Implementation Rules for the Laws for Chinese-foreign Cooperative Management Enterprises" (hereafter called the "Implementation Rules"). Stemming from our national conditions, it sums up the experiences of conducting Chinese-foreign cooperative management enterprises since the promulgation of the "Laws for Chinese-foreign Cooperative Management Enterprises" (hereafter called the "Cooperative Laws"), and based on the principles of the "Cooperative Laws," it creates multifaceted regulations, which, embodying the spirit of our government toward relaxing restrictions on the policies of the utilization of foreign capital and having joint-operated enterprises, are a set of rules and regulations for the utilization of foreign funds that possess special Chinese characteristics.

The "Cooperative Laws" publicly put into force in July 1979 are the first laws and regulations concerning the admitting of foreign investment since the founding of the PRC. It was a symbol of China's implementation of an open policy. Afterwards, we successively determined and publicly announced a series of laws and regulations concerning registration management, labor management, taxes and foreign exchange control, special zone establishment and offshore oil exploitation, emphatically promoting and insuring the development of work toward China's utilization of foreign capital. According to statistics, of the agreed-upon sum of approximately \$4.9 billion admitted through various means throughout the entire country for direct foreign investment, by the end of 1980 more than \$1.7 billion had already been used. Of the cooperative enterprises involved, 105 had been achieved by the end of June 1983, involving a foreign investment of more than \$200 million. Among those cooperative enterprises already established, the majority have an advanced level of technology and rather high economic results. More than 4 years of practice have meant an accumulation of definite experience for the implementation of the "Cooperative Law" and at the same time have brought out some problems. The "Implementation Rules" were produced from just this kind of basis to suit the demands of the situation.

Under the conditions at the time of their promulgation the "Cooperative Laws" stressed the determination of principles, and the content was rather concise and flexible, the entire document having a total of 15 items. Based on present conditions, the "Implementation Rules" already have the possibility and even the necessity to make a rather complete, clear and concrete determination of various problems concerning the conduct of cooperative enterprises. Its content is the particularization of the "Cooperative Law" with a few necessary supplements. There are 16 sections with 118 items in the entire text. Important among the contents are the legal position and form of cooperative enterprises; important industries and needs; examination and approval procedures; the substance of agreements, contracts and regulations; forms of capital investment; planning management and management autonomy; authority structure and structure of management and administration; selling channels and prices; financial affairs accounting system; cooperation time limits, dissolution and settling of accounts; resolution of disputes; etc. These are all concerns both within and without China, questions with an urgent need for clarification in actual work, and among which are several problems involving the basic policy of how China will handle this kind of special economic organization--cooperative enterprises and "Implementation Rules," based on the principles of "Cooperative Laws," produced stipulations which are coincident with our national situation, are suited to the demands of our socialist economic system and modernization construction and have implemented the spirit of the relaxation of restrictions.

1. Cooperative Enterprises Are a Chinese Legal Entity Under the Administration and Protection of Chinese Law

China is a socialist country. What is the position in Chinese law of Chinese-foreign cooperative enterprise, or this kind of business with foreign elements? Does it have an equal position in the law with state-run enterprises, which are in the Chinese socialist nature? Do they receive the protection of Chinese law? These are problems that China's laws of cooperative enterprise first try to clarify, and are as well problems that foreign investors want to contemplate first when evaluating the Chinese investment situation.

In regard to these problems, the "Cooperative Laws" already had determinations in principle. The second item in it resolves that "the Chinese government legally protects foreign partners...[and] their investments in cooperative enterprises, their rightful profits and other legal rights and interests." Since that time our legislation has steadily become more sound. Worthy of special mention is that in the "Constitution of the People's Republic of China" passed by the 5th National People's Congress in December 1982, the 18th item clearly stipulates that foreign businesses and other foreign economic organizations within the borders of China, as well as cooperatively managed Chinese-foreign enterprises, must all abide by the laws and regulations of the People's Republic of China and that their legal rights and benefits receive the protection of the laws and regulations of the People's Republic of China. This fundamentally clarifies the meaning of what the second item in the abovementioned "Cooperative Laws" intend by the phrase "legally protects": that above all they receive the protection of the Chinese constitution. During this time the State Council announced in April 1983 the "Provisional Regulations for State-run Industries and Enterprises." The

eighth item provides that the "enterprise is a legal entity.... [The position of] the enterprise to the state is via its administered and managed state property," which in accordance with the law exercises the power of possession, utilization and distribution and autonomously undertakes production management activity, bears the responsibility of state provisions and, in addition, is independently able to bring suit and defend itself against suits in court. And now, item two of the "Implementation Rules" provides that Chinese-foreign cooperative management enterprises established within China in accordance with sanctions under the laws for Chinese-foreign cooperative management enterprises are Chinese legal entities and are under the jurisdiction and protection of Chinese law. This explicitly explains that cooperative enterprises have equal place with state-run enterprises under Chinese law, that they similarly receive the protection of Chinese law and that they enjoy equal rights under the law.

In addition to this, the "Implementation Rules" also have a more developed explanation of the legal form of cooperative enterprises. The fourth item in the "Cooperative Laws" provides that the form of cooperative enterprise be a limited-liability company. Because China is at present still without laws for public companies, therefore, as for the significance of limited-liability companies, therefore, as for the significance of limited-liability companies, the economic responsibilities of the various aspects of cooperation and of limited-liability companies to the outside world await further clarification. Now, in the 19th and 106th items of the "Implementation Rules" there are the separate provisions that the "cooperative enterprises are limited-liability companies, and in each aspect of the cooperative, responsibility to the cooperative enterprise be limited to the rate of capital expenditure put up by each respective party" and that "cooperative enterprises assume responsibility for their debts to the extent of their entire assets." This makes clear the meaning of "limited-liability company" in Chinese law and is in keeping with the general provisions of various countries' public company laws.

The above-mentioned stipulations make even clearer the legal position of cooperative enterprises and provide a more advanced legal basis for their establishment and operation.

2. The Coordination of Cooperative Enterprise With Planned Economics and Operational Autonomy

China is a socialist country, with a policy of implementing primarily a planned economy, with the addition of market regulation. This particular form of economy--the Chinese-foreign cooperative enterprise--has been established on our soil. On the one hand it must be closely coordinated with China's planned economy in order to serve China's modernization construction as well as to obtain the support and protection of various aspects of the national planned economy, otherwise it would lose its reason and the fundamental conditions for existence. On the other hand, it must also maintain a close relationship with the international market as well as be able to operate independently and autonomously and introduce advanced technology, advanced management methods and the entrance of its commodities to international markets, all on

the basis of profit, otherwise the value for conducting such business will be lost. As for cooperative enterprises, only if these two aspects are successfully integrated can they fully develop their superiority, maintain their vitality and achieve their rightful and unique function in the task of China's modernization construction. After the "Cooperative Laws" were announced, since relevant legislation in China had not been fully developed and since there was yet little practical experience, there was some apprehension on this question both within and outside the country. Comrades within the country primarily worried about whether the cooperative enterprises would get off the track of the planned economy, strike out at a planned economy and attack national industries, and they were even suspicious about whether cooperative enterprises had any good points, or even whether they could be managed at all. Foreign investors worried that excessive government interference in cooperative enterprises would leave no way for independent and autonomous operation and that the country would take no responsibility at all for the cooperative enterprises, thereby leaving no way by which they could obtain the various necessary conditions of operation. With understanding not unanimous, various problems were raised that were not advantageous to the development of cooperative enterprises.

On the basis of the principles determined in the "Cooperative Laws," the "Implementation Rules" put forth more advance provisions for these aspects.

First of all, they clearly brought out the general demands of cooperative enterprise: "It must promote the development of the Chinese economy and the elevation of the level of scientific technology and be beneficial to socialist modernization construction" as well as provide for the chief industries to be established as cooperative enterprises (the third item). At the same time, it specifically demanded that cooperative enterprises emphasize economic results, be able to make use of advanced technological equipment and scientific management methods, be of use in the technological transformation of our country's existing industries, be able to increase commodity exports and train China's technological personnel and management and administrative personnel (the fourth item). And it also clearly pointed out that the establishment of cooperative enterprises must not harm China's sovereignty, nor violate China's laws, nor be unsuited to the developmental requirements of China's national economy nor create environmental pollution, etc. In any of the above circumstances, sanctions would not be forthcoming (the fifth item). These provisions clarify the direction of the establishment of cooperative enterprises and point out standards. At the same time they stipulate the examination and approval procedures and the examination items for the establishment of the cooperative enterprises. Items requiring examination include application documents, feasibility study reports jointly drafted by the various parties in the partnership, cooperative enterprise agreements, contracts, regulations, a chairperson's and vice chairperson's selection list, etc. All of these must be inspected by and receive the approval of the relevant departments of the Chinese government before the cooperative enterprise can be legally established. If cooperative enterprises are established in accordance with these provisions, then it will guarantee putting cooperative enterprises on the track of the planned economy and enable them to serve China's national economy and not to lead to unplanned blind development, which would give rise to unfortunate results.

That is one aspect of the question, that is, one facet of the restriction on cooperative enterprises by national planning.

In another aspect, the "Implementation Rules" make specific provisions for the coordination and joining of the economic planning of cooperative enterprises with that of the state as well as provide for the autonomy of the cooperative enterprises. For the most part, this is expressed in the following few points.

On the subject of planning, the rules provide that the basic construction plans of the cooperative enterprise fit in with national or local basic construction plans, giving precedence to arranging implementation (54th item); production management planning will be carried out under the sanction of the board of directors, which reports to the responsible departments for the record (56th item); and goods and materials that must be supplied or sold in accordance with the planned allocation will be separately brought into the plans of responsible departments for planned allocation or sale (items 58 and 64).

On the subject of operational autonomy, the seventh item of the "Implementation Rules" provides that within the scope of Chinese law, decrees, relevant regulations and rules and of cooperative enterprise agreements, contracts and rules, cooperative enterprises have the authority to carry on autonomous management and administration according to their own characteristics and that relevant departments provide support and help. Moreover, in the sixth item it provides that departments responsible for enterprises have a guiding, helping and supervisory responsibility to cooperative enterprises. Here it clearly points out that the relationship between the responsible departments in the cooperative enterprises and the cooperative enterprises themselves is a guiding relationship and not a leadership relationship and that the responsible departments cannot manage them in accordance with the set of methods used for managing state-run enterprise and therefore cannot carry on administrative interference.

In addition to this, the "Implementation Rules" make specific provisions in relevant sections for the autonomy of various aspects of the buying, selling and utilization of foreign exchange, financial affairs and labor and wage management in cooperative enterprises. This is another aspect of the problem, that is, the aspect of cooperative enterprises and national plans maintaining a relative independence.

In summarizing the above-mentioned provisions for the two aspects, one is the overall guarantee that cooperative enterprises will be brought into the stream of the Chinese planned economy, and the other aspect is that each and every cooperative enterprise is guaranteed its operational autonomy as well as support from the national planning authorities. This is the guiding ideology of the "Implementation Rules" in regard to handling this problem. The principle of "controlled without dying, living without disorder" may similarly apply to the handling of cooperative enterprises.

3. The Produce of Cooperative Enterprises, Encouraging Exports While Giving Priority Also to Internal Consumption

When foreign investors contemplate investing in China, their principal focus is China's 1 billion population, the world's largest marketplace. Because of this, whether the produce of cooperative enterprises is allowed to be sold in China's own market and how much can be sold, etc. are the principal concerns of foreign investors. There have existed in the past some misapprehensions in this regard, in which it was believed that the Chinese government demanded that cooperative enterprises export all or nearly all of their products. Actually, even before China had passed such provisions it could be seen from the actual conditions of cooperative enterprises already established that it was not this way. In fact, there was this kind of demand, namely as stipulated in the "Provisional Rules for Foreign Exchange Management," that the total foreign exchange expenditures of jointly funded and managed Chinese-foreign enterprises be paid from their foreign exchange deposit accounts. This means that if cooperative enterprises need foreign exchange to import goods and materials, to pay the principal or interest on foreign exchange loans or to pay the profits of foreign partners or the wages of foreign workers, then they must export that many of their products in order to obtain this foreign exchange and cannot use RMB obtained from the sales of their products within the country to exchange for foreign currency at the banks. In other words, cooperative enterprises were not free to exchange currency at the exchange rate. China is a country that practices foreign exchange regulation especially under present conditions where our foreign exchange is in a shortage, but this kind of provision is without doubt a reasonable one and is understood and accepted by foreign investors. The tens of cooperative enterprises already established prove this point. However, if you bring this provision to terms, sometimes it is not necessary and can even have a harmful influence. For example, if the product produced by a cooperative enterprise is urgently needed by our country, or needs to be imported, using our own foreign exchange to buy it from abroad would not be as good as allowing the cooperative enterprise to sell more on the internal market, and by this can bring along the development of the cooperative enterprises and stimulate the even greater and even faster introduction of foreign funds, advanced technology and advanced management methods. Operating in this way would obviously be even more advantageous for the development of China's national economy. Now, item 61 of the "Implementation Rules" makes this kind of provision: when the products of cooperative enterprises are in urgent need in China or need to be imported, priority may be given to sell in China's internal market. As for the foreign exchange income problem created by doing this, item 75 of the "Implementation Rules" thus provides that in cases where, based on approved cooperative-enterprise feasibility research reports and contracts, foreign exchange cannot be balanced due to the priority given to internal sales, it shall be resolved by adjustments to foreign currencies stored by responsible departments of the people's government of the concerned province, autonomous region or municipality or of the State Council, or when the problem cannot be resolved thereby, it shall be resolved by bringing it into the planning after joint examination and approval by the Ministry of Foreign Economic Relations and Trade and by the State Planning Council of the People's Republic of China. These provisions manifest China's spirit of more advanced relaxation of

restrictions concerning cooperative enterprises and will be certain to receive the welcome and response of foreign investors.

Of course, it is also China's policy to encourage cooperative enterprises to work hard to sell more of their goods on the international market. This is with an eye not only to earning foreign currency but more importantly to placing the products of cooperative enterprise into the fiercely competitive international market in order to stand up to the test, so that they will spur cooperative enterprises to keep on improving product quality and to keep on lowering costs and to introduce the utilization of advanced technology and the raising of management and administrative levels. Item 60 of the "Implementation Rules" makes this kind of provision: the Chinese government encourages cooperative enterprises to sell their products on the international market. Item 72 stipulates that when approved by the Ministry of Finance of the PRC, cooperative enterprises producing products for export other than those restricted by the state may avoid paying the unified industrial-commercial tax. This is a measure of encouragement for cooperative enterprise export products.

4. Cooperative Enterprise In-country Supply and Marketing Channels and Pricing

Under our system of a planned economy a considerable and even a great number of the goods and materials that cooperative enterprises need to purchase within the country or products to be sold cannot be freely purchased or sold on the market. Therefore, what about the supply and marketing channels for these goods? Whether there can be any guarantee of what the prices will be like constitutes an important topic when carrying out the cooperative enterprise feasibility study, and this, moreover, is an important factor in determining the economic results of the cooperative enterprise and is a question of extreme concern on the part of foreign investors. In the past, because we lacked clear provisions in this regard, there were a few occasions of blocked channels, random collection of fees and arbitrary price inflation occurring in actual work situations, thus creating problems for cooperative enterprises and adding to the apprehension of foreign investors. The "Implementation Rules" have made rather detailed provisions concerning this problem.

Regarding the supply of goods and materials, it first makes clear that cooperative enterprises have the authority to decide on their own whether to buy in-country or abroad (item 57) as well as to go further to provide for supply channels for all sorts of different materials (planned allotments, those managed by material commercial departments, those in free-market circulation, exports managed by foreign trade companies, etc.) (item 58). As for prices, the rules clearly provide, aside from two kinds of special circumstances, equal status with state-run enterprises regarding supply and service for materials and power, thus uniformly carrying out China's prevailing price and revenue standards and requiring payment in RMB. As for the two special circumstances, one is with the six kinds of raw materials (gold, silver, platinum, petroleum, coal and wood) used in the direct production of export goods, where in-country price and international market price are in great disparity; the other is in the purchase of Chinese foreign-trade company-administered export products. In these two situations the international

market price is figured, payable either in RMB or in foreign currency (item 65). These two provisions are obviously reasonable.

Regarding product marketing, it similarly provides for selling channels for various different goods (item 64) as well as stipulates that the selling price be determined by the cooperative enterprises, priced according to quality and reported for the record to responsible departments (item 66).

The above-mentioned provisions provide a path of supply and marketing for cooperative enterprises under China's prevailing system of material supply and its pricing system, thus insuring the external conditions necessary to the operations of the cooperative enterprises.

5. The Board of Directors Is the Highest Authority in the Cooperative Enterprise

The "Cooperative Laws" clearly provide that "cooperative enterprises establish a board of directors" and that "the powers of authority of the board of directors are provided via the regulations of the enterprise, and the board will discuss and decide all important questions concerning the cooperative enterprise." This makes it distinctly clear that the control operating in the cooperative enterprises is not like the responsibility of the factory manager under party committee leadership, as it is in state-run enterprises, but is under the board of directors, and this is an obvious point of difference between cooperative enterprises and state-run enterprises in terms of leadership.

Based on this principle, the "Implementation Rules" makes more advanced provisions regarding important topics concerning the board of directors system, such as the authority, composition and principles of discussing official business for the board of directors as well as the relationship between the general manager and the board of directors and makes more specific the policy intent of China toward the cooperative enterprises.

For example, item 33 provides that "the board of directors is the highest authority in the cooperative enterprises, determining all important matters for the cooperative enterprise." This makes clear the authority of the board of directors, guaranteeing from the level of organization that cooperative enterprises possess administrative autonomy and not be interfered with by other organizations, as these are necessary conditions for the smooth running of the cooperative enterprises.

The 34th item provides that "the allotment quotas of directors shall be discussed and determined for the various aspects of the partnership according to the proportion of capital invested, and the number of directors in each area obviously represents the amount of speaking and management authority within the enterprise, which provision reasonably insures the rights and interests to the various parties as well as suits the provisions of general international corporate laws."

Item 36 makes provision for four matters that must have unanimous approval by the board of directors before they can be decided upon, namely the alteration

of the rules, the suspension and dissolution of the cooperative enterprise, the increase or transfer of registered capital, and the merger of the cooperative enterprise with other economic organizations. This is to protect the rights of the minority investor in fundamental matters regarding partnership enterprise and mutual rights and interests by not allowing harm to occur due to the majority's unilateral strength. As for other, rather more secondary concerns, it is provided that decisions be made based on stipulations for the discussion of official business clearly stated in the regulations of the cooperative enterprise, that is to say that the "Implementation Rules" empower each cooperative enterprise on its own to approve consultations on various aspects of the partnership, to resolve its own provisions for the discussion of official business and to decide on those matters by requiring a two-thirds majority to pass, or more than half to pass. This is done in order to avoid the situation where when an item of any size needs unanimous approval, it then causes indecision because of long discussions by the board of directors, thus adversely affecting work.

On the question of the relationship between the board of directors and the general manager, the 59th item provides that the general manager carry out every decision of the conferences of the board of directors by organizing and leading the daily management and administrative work of the cooperative enterprise. This is to say that the board of directors empowers the general manager with the authority to handle daily work, since this enables the board of directors to be relieved of daily tasks, thus aiding them in concentrating their energy on research and on deciding the larger questions and also allowing daily work to be handled in a timely and effective manner. The 40th item provides that the general manager and assistant general manager may be foreign citizens. This provision will aid in making the most of the enthusiasm of foreign specialists and will be instrumental in introducing advanced management methods from abroad.

All of this is based on and determined by the special characteristics of the cooperative enterprises, suits international practice, is easy for foreign investors to accept and can insure the legal rights and interests of China as well. Surely it is because the nature and function of cooperative enterprises and of state-run enterprises are so different that a different leadership system has been provided for.

From the point of view of the handling of the important policies discussed above by the "Implementation Rules," it is persistent in proceeding from China's socialist system and economic structure, enabling them to make much of their function in China's socialist modernization construction. At the same time it takes care of the legal rights and interests of foreign investors, stimulating their interest in coming to China to undertake joint business enterprises. "Implementation Rules," the announcement of the laws for utilizing foreign funds with special Chinese characteristics, is of important significance. Of course, in the course of actual experience the laws will continue to develop.

GENERAL

JINJI YANJIU DISCUSSES ALIENATION OF LABOR

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[Article by Xiang Qiyuan [7309 0796 3293], Liu Xun [0491 1789], and Tian Guang [3944 0342] of the Economic Research Institute of the Chinese Academy of Social Sciences, dated November 1983: "On So-called 'Alienation of Labor Under Socialism"]

[Text] Alienation of labor was an important category in an early work of Marx: "Economic and Philosophical Manuscripts of 1844." After the publication of this work in the 1930's and, in particular, after World War II, a wave of the so-called study of "the young Marx" appeared among the academic circles of the West. Some bourgeois scholars have distorted the Marxian category of alienation in various ways in an attempt to obliterate the revolutionary spirit of Marxism, to negate the superiority of socialism, and to defend the capitalist system.

Over the past several years, there also has been controversy over the question of alienation among the theorists of our country. Some comrades have put forth some questionable viewpoints, for example, that alienation of labor, which originates in the socialist system itself, continues to arise in socialist society. We cannot agree with such viewpoints.

I. Those comrades who propagate the theory of "alienation of labor under socialism" claim that their arguments are based on the concept of alienation in Marx' works. If so, we must first clarify through discussion what the concept of alienation really means in Marx' works and whether the theory of alienation of labor under socialism conforms to the original meaning of what Marx called alienation of labor.

By alienation, Marx meant that a main body gives rise to its opposite, and the opposite in turn dominates the main body. Marx concretely discussed alienation of labor in his "Economic and Philosophical Manuscripts of 1844."

First, he discussed the alienation of the products of labor, which means that the products of the workers' labor are not owned or allocated by the workers themselves, but become alien things which turn against and dominate the workers. While the workers produce the products, they also lose them. The greater the wealth created by the workers, the greater will be the extent to

which the workers are dominated by this alienated wealth. The appreciation in value of the material world varies directly with the depreciation in value of the human world.

It can thus be seen that this concept of alienation as used by Marx actually refers to the inverted relationship between the wage laborers and the products of their labor under the capitalist system. He clearly said that his exposition "proceeds from the current [preceding word underscored] economic facts,"¹ that is, from the capitalist economic system.

Second, he discussed the alienation of labor activity. Marx said that the products of the workers' labor are alienated from the workers because the workers' labor is itself an activity that is alienated from the workers. The products of the workers' labor are not owned or allocated by the workers; the workers labor activity is also not owned or allocated by them. The products of the workers' labor become alien things which turn against and dominate the workers; the workers' labor activity also becomes an alien force which turns against and dominates them. The alienation of the products of labor is an alienation of material things; the alienation of labor activity is man's self-alienation.

Obviously, the concept of alienation used here actually refers to the inverted relationship between the wage laborers and their labor activity, and this exposition of the alienation of labor activity also proceeds from the capitalist economic system.

Third, the alienation of the products of labor and the alienation of labor activity develop into the alienation of man's generic nature, that is, the alienation of man's social nature. Man's social nature amounts to the development of man's social creative power, as well as the expression and realization of social man's varied social abilities in material and spiritual production which satisfies social man's varied social and spiritual needs. However, man's social nature is alienated. Consequently, man negates rather than affirms himself in doing his work. He feels at ease only when not working, but feels uneasy at work. Man's work is coercive labor, and not voluntary labor.

Fourth, man is alienated from man. If the workers' products of labor, their labor activity, and their nature as social men do not belong to themselves but become alien forces which dominate them, then to whom do these things belong? Who dominates the workers? Marx pointed out that is not nature or any god, but can only be man himself. Only man himself can become an alien force that dominates the workers. It is the capitalists who are opposed to the wage laborers. The products of labor of the working class, the labor activity of the working class, and the nature of the working class as social men, are all owned by the bourgeoisie, becoming their private property.

In the "Economic and Philosophical Manuscripts of 1844," Marx also discussed alienation in various other aspects, such as religion, the family, the state, morality, art, and so on. He clearly stated that the alienation of labor is the basis of the alienation in various aspects of social life.

To sum up, the basic line of thought in Marx' early works is very clear; proceeding from an analysis of the capitalist economic system, and to thoroughly expose the cruel exploitation of wage labor by capital, he used the concept of alienation of labor in the course of development toward the historical materialist outlook.

It should also be pointed out that in his later works: "Manuscripts in Economics (1857-1858)" and "Das Kapital," Marx continued to use the concept of alienation of labor, which had been used in his earlier works. This was based on his newly created scientific labor value theory and surplus value theory.

First, concerning the alienation of labor: The capitalists, as owners of the means of production and as buyers are in opposition to the workers as owners of labor power and as sellers; labor power becomes a commodity. When labor power is sold as a commodity, the use value of labor power, that is, human labor, belongs to the capitalists, not the workers. Human labor becomes a form of existence of capital.

Second, concerning the alienation of the products of labor: Because labor is owned by the capitalists, the products of labor naturally belong to the capitalists. To a capitalist, the labor process is merely one in which those things that he has purchased, including various material things and labor power as a commodity, are consumed. Therefore, the products of this process belong to him, just as the products of the fermentation process in his own wine cellar also do.

Third, concerning the alienation of social wealth: The surplus value created by the workers are gratuitously owned by the capitalists. Surplus value changes into capital, and social wealth becomes surplus value in the form of capital. Social wealth becomes an alien and dominating power in opposition to the workers.

Fourth, concerning the alienation of the workers' social nature: When workers carry out personal consumption, they are merely turning the means of livelihood, which are provided by capital in exchange for labor power, into new labor power which can be further exploited by capital. The workers are an appendage of capital both in the production process and in personal consumption. Slaves are held in their owners' hands by chains, while wage laborers are held in their owners' hands by invisible strings.

Compared with that used in the "Economic and Philosophical Manuscripts of 1844," the concept of alienation used in Marx' later works more scientifically explains the inverted relationship, under the capitalist system, between the wage laborers on the one side and their labor activity, their products of labor, and their nature as social men on the other side, that is, the relationship of class antagonism between the working class and the bourgeoisie.

It can thus be seen that the concept of alienation of labor in Marx' works is a historical category related to and coexisting with the capitalist system of exploitation. To deviate from the above-mentioned context and to indiscriminately misuse the concept of alienation or alienation of labor would be incompatible with Marx' original idea.

II. Marx scientifically explained that the alienation of labor is a necessary product of the capitalist system. Thanks to the success of the proletarian socialist revolution, the capitalist system of exploitation has been abolished and the system of socialist public ownership has been established; therefore, the root of alienation of labor naturally has been basically eliminated. In his early works, Marx said: "Communism is the positive sublation of private property, or of man's self-alienation."² Later in "German Ideology," he further stated that the abolition of private ownership is the prerequisite for eliminating alienation in social relations.³ However, those comrades who propagate the alienation of labor under socialism say that alienation continues to exist even with the solution of the private ownership problem, and that this is an issue arising from the practice of socialism. In view of this, let us concretely study whether the so-called "issue arising from practice" is alienation of labor.

A certain viewpoint holds that all those things that embody political power, such as the state, political parties, laws, and so on, are products of alienations. At the present stage in our country, the state and the state-owned means of production continue to be some forces that are in a way alien to the working masses.

We think this viewpoint is not tenable. First, it deviates from the Marxist viewpoint of class struggle and class analysis, abstractly treating the state, political parties, and laws as "products of alienation." Thus, it obliterates the essential differences between proletarian parties and socialist states on one side and bourgeois parties and capitalist states on the other. Everyone knows that the proletariat and the bourgeoisie are two antagonistic classes, and that those parties representing the interests of the proletariat and those parties representing the interests of the bourgeoisie are two basically antagonistic categories of political parties. The bourgeois state and its laws are undoubtedly products of alienation of labor, because they belong to the superstructure of the capitalist society and arise from capitalist private ownership; they are merely organs of violence that safeguard the interests of the bourgeoisie and suppress the resistance of the proletariat. However, the socialist state, or the state under the dictatorship of the proletariat (or under the people's democratic dictatorship, as in our country), basically and essentially differs from the state under the dictatorship of the bourgeoisie. Thus, Lenin said: "This is already a transitional state; it is not a state in the proper sense of the word;" It is now a state where "the majority of the wage slaves of yesterday suppress the minority of exploiters."⁴ The historical mission of this state is to abolish the private ownership of the means of production, to establish, protect, and develop socialist public ownership, to abolish classes, and to realize communism. Therefore, it has "changed from an organ standing above society into an organ completely subordinated to society."⁵ It has changed into the official representative of the entire society, that is, of all people.

Under our state ownership system, such a state, which represents society or all people, owns, allocates, and manages those means of production that are publicly owned by society. Our state ownership system was established with the seizure of political power over our entire country by the proletariat,

and with the expropriation of the expropriators (mainly by confiscating all the property of the bureaucrat-comprador bourgeoisie). It rapidly gained control over our national economic lifelines and became the leading sector under the condition that many varied economic sectors coexisted. After over 30 years of construction, it has become increasingly more well-developed and stronger. It amasses the most advanced productive forces in our country and firmly remains in a leading position in our national economy. If we adhere to the general truths of Marxism-Leninism and proceed from the actual condition of our socialist state and our means of production under state ownership amount to a decisive political and economic condition for the building of a socialist new life by the working masses; they are certainly not what some people call "products of alienation" or "alien forces."

It should be noted, of course, that some differences still exist between the state ownership system and the system of ownership by all people as envisioned by Marx, whereby the means of production are publicly owned by the entire society. However, the realization of the socialist ownership by all people as envisioned by Marx entails a definite process. Engels said: "Only when the material conditions for its realization are fulfilled can it be feasible, and can it become a historical necessity."⁶ However, such conditions still do not exist in our country at the present stage. Therefore, with regard to the state ownership system whereby the means of production over the entire society are owned by the state as the representative organ of public ownership, the institution of this system is a result of the current level of development of the productive forces and the current degree of perfection of the socialist production relations. In the future, we should study what specific forms of state ownership should be adopted and in what ways state ownership will develop in the future. However, we must not set state ownership against ownership by all people or deny that state ownership does embody ownership by all people. In particular, at the present stage in our country, not only do many varied economic forms exist, and not only will the individual economy and the state capitalist economy continue to develop within appropriate limits, but class struggle will also continue to exist within certain limits and may sometimes become considerably intense. Under this historical condition, it is even more essential to adhere to the leading role of state ownership, so that the consolidation and development of the economy under socialist collective ownership, the fulfillment of centralized national economic plans, and the advance of our country's modernization in the socialist orientation can be ensured. It can thus be seen that the view which holds that the socialist state and the state-owned means of production are "products of alienation" and "alien forces" is not only erroneous theoretically, but is also harmful in practice.

Another viewpoint holds that the workers cannot directly own or allocate the products of their own labor; this is the alienation of the workers from the products of labor.

Marxism always holds that the power to own and allocate the products of labor is consistent with the power to own the means of production. Under the condition of capitalist private ownership, all the products created by the workers

are owned and allocated by the bourgeoisie; this is naturally alienation of the workers from the products of labor. However, after the abolition of capitalist private ownership, and under socialist state ownership, the means of production are owned by the entire society and the workers have become the masters of the means of production; then, naturally, the products of labor should be owned and allocated by all workers. The aim of socialist production is to fully satisfy the entire society's ever-growing material and cultural needs; this is a concentrated expression of the following inherent and necessary relation; because the workers are the masters of the means of production, the products of labor should belong to all the workers and should be used for their benefit. The question we should now discuss is: Those comrades who propagate the alienation of labor under socialism stress that the workers must "directly own and allocate" the products of their own labor; otherwise, alienation exists. What they call direct ownership of the products of labor by the workers merely means that the individual workers in the economy under socialist state ownership, and these workers' enterprises, should themselves determine the sale of products and allocate the proceeds. This point is precisely where we disagree with those comrades.

According to the theory of scientific socialism, how should the workers in the economy under ownership by all people own and allocate their own products? Lenin very clearly stated: "The products do not belong to the workers themselves or their 'close relatives,' but belong to their 'distant relatives,' that is, the entire society."⁷ In our country at the present stage, this means that the products are owned by the state. Of course, we must not set ownership by the entire society, as mentioned by Lenin, against ownership by all workers. According to our understanding, the ownership of the products of labor by the entire society means that society (or the state, which represents the entire society) should own the social products in a centralized way and allocate them in a planned way, so that proceeding from the overall situation, it can satisfactorily handle the relations between various groups of workers and the relation between the immediate interests and long-term interests of all workers. Only thus can the ownership of the products of labor by all workers be more satisfactorily realized.

If so, then why are those products of labor that are created by the workers of the state enterprises not allowed to be directly owned and allocated by the workers, according to some comrades' view? This is because of the nature of socialist ownership by all people, and in particular, because of the characteristics of the planned economy. We all know that under the condition of a commodity economy with a relatively high degree of socialization, the smooth progress of social reproduction calls for a proportionate development of various national economic sectors and various links of reproduction, in terms of both use value and value. In capitalist society, proportionate reproduction can be roughly maintained, under competition and an anarchic state of production, through the frequent disruption of proportions and through economic crisis. Under the socialist system, social reproduction is carried out under planning. Thus, society (or the state) is required to consciously guarantee proportionate reproduction through centralized and well-conceived national economic planning. The distribution and redistribution of the total social

product and the national income are included in state plans and are carried out according to plans by various relevant departments under the CPC Central Committee, by local governments at various levels, and by the state enterprises. Specifically speaking, in the distribution of the total social product, we must first deduct that part which is used to compensate for the consumption of the means of production, that additional part which is used for expanded social reproduction, and that part which is used as reserve funds or insurance funds to deal with accidents, natural calamities, and so. Then, the remaining part can be used as consumption funds. Moreover, before the consumption funds are distributed to individual workers, we must also deduct that part which satisfies the general needs of management and common (social) needs, and that part which is used as social insurance funds that are set up for some people, such as those who have lost the ability to work. Only after these various items have been deducted according to necessity from the total product of the state sector of the socialist economy, can the individual workers receive their appropriate shares of consumer goods (which are initially in the form of monetary income) for their own consumption, according to the quantity of labor they have expended.

To sum up, at the present stage in our country, the product of labor of the workers of the state enterprises should in principle be owned by the state in a centralized way and distributed by it in a planned way. This is a requirement of the economic law of socialism. Of course, when we talk about ownership by society, we have in mind validity of this ownership on an overall scale and in principle. There are many complicated circumstances in real life. For example, in our reform of economic management systems, it is necessary and advantageous to appropriately extend the enterprises' decision-making power so that they can allocate some financial and material resources on their own. It can thus be seen that we should not understand in a simplistic way the ownership of the products of labor by society. Nevertheless, we must pay great attention to and always adhere to the overall principle pointed out by Lenin. If we deviate from this principle and propagate the alleged view that the inability of the workers to directly own and allocate the products of their own labor implies alienation of labor under socialism, then, we will only cause ideological confusion and encourage some people to place their own personal interests above social interests, and partial or local interests above general interests.

A third viewpoint holds that under the condition of socialist distribution according to work done, the principle that "he who does not work shall not eat," and "socialist labor discipline, rules and regulations, laws and norms, and so on," contain an element of coercion; therefore, it is possible for an "inherent essential quality" to change into "an external thing" or "an alien activity," that is, alienation of labor. It is impossible for us to agree with this argument.

It is incorrect to include the principle that "he who does not work shall not eat" in the possible causes of alienation of labor. This principle is an aspect of distribution according to work done. It deals solely with those elements of the exploiting classes who refuse to be transformed, hooligans,

lazy people, and various kinds of parasites. Should not coercive labor be forced upon these people? This kind of coercive labor not only differs from alienation of labor but, on the contrary, it can prevent and overcome the possible alienation caused by people who profit by other people's toil, and it reflects the historical progressiveness of the socialist distribution system. Lenin made a good point in saying: "Every worker knows that 'he who does not work shall not eat'... this simple, very simple, and extremely obvious truth embodies the basis of socialism, the inexhaustible source of strength of socialism, and the indestructible guarantee of the final victory of socialism."⁸ Some of our comrades regard this powerful means for thoroughly eliminating alienation of labor as a cause of alienation of labor. What strange logic this is!

As to the inclusion of socialist labor discipline, rules and regulations, and laws and norms in the possible causes of alienation of labor, this is even more perplexing. First, socialist labor discipline, rules and regulations, and laws and norms differ essentially from their capitalist counterparts. Socialist labor discipline, rules and regulations, laws and norms, and so on, serve to protect the people and are based on the people's conscious compliance. Therefore, discipline and freedom constitute a unity of opposites; we must not merely see the coercive aspect and disregard the democratic aspect. Second, judging from the requirements of development of the productive forces, centralized organized and leadership, detailed rules and regulations, and strict labor discipline are indispensable to modern large-scale production. The dying out of the capitalist system has not weakened these things. Engels said: "On one side, there is a definite authority, no matter how it is formed; and on the other side, there is a definite degree of obedience. These two things are necessary to use under the material conditions for the production and circulation of products, no matter what kind of social organization we have."⁹ If, as envisioned by some comrades, the "definite authority" and "definite degree of obedience," viewed as coercive factors, were completely abolished, would this result in the disappearance of alienation of labor, or would this open up a way for the reemergence of alienation of labor?

The theory of "alienation of labor under socialism" is complementary to abstract humanism and bourgeois freedom and democracy. All advocates of the theory of alienation of labor under socialism invariably demand absolute economic freedom. The planned economy, rules and regulations, and labor discipline are all regarded as incompatible with the ownership of the means of production by the working masses, and regarded as things that dampen people's enthusiasm and suppress people's intelligence and abilities. Anarchism and the seeking of bourgeois freedom, proceeding from the "left" and from the right respectively, actually reach the same goal by different routes; should not those comrades among our ranks who propagate alienation of labor under socialism think deeply about this?

We should now go back to the question of whether the alienation of labor under socialism is an issue arising from practice, and answer this question. As a matter of fact, those comrades holding the view of alienation of labor under socialism have pointed out various phenomena and have strived to prove that the socialist system really gives rise to alienation of labor. Our view

on these phenomena has been explained above. We think that among these comrades, some only see the appearance of things without seeing their essence; some only see the nonessentials without seeing the essentials; and some only rely on their own subjective imagination and neglect objective facts. To sum up, the so-called "bases" put forth by these comrades actually amount to some erroneous or distorted views on socialist practice. In our view, socialist practice has not proved that socialism gives rise to alienation of labor; on the contrary, it has irrefutably proved that the socialist system has basically destroyed the root of alienation of labor. The founding of the PRC signified the liberation of the whole nation from the oppression by imperialism, feudalism, and bureaucrat-capitalism, which had hitherto weighed like mountains on the backs of the Chinese people. After the land reform, the socialist transformation of the private ownership of the means of production, and the abolition of systems of exploitation in our country, the economic and political status of the working people underwent earth-shaking changes. The slaves of the past became masters of the state and the enterprises. Over several thousand years, the workers had worked for others, for the exploiting classes. They worked arduously year round without being adequately clothed or fed. With the establishment of socialist public ownership, the working masses gained control over the means of production; only then could they begin to work for themselves and society; only then did the products of their labor begin to be solely used for satisfying their own needs and society's needs. The socialist system has aroused the strong sense of responsibility and great enthusiasm of the working masses; they regard work as their proud undertaking and consciously contribute their strength to socialist construction. Since the founding of the PRC, we have achieved one major success after another on various fronts. At present, the people of various nationalities in our country are striving for the realization of socialist modernization under our party's leadership. Such is the basic practice of our country's socialist revolution and socialist construction over the past 30 years or more. Those who harbor no prejudice will invariably draw from this basic practice the conclusion that the socialist system cannot give rise to alienation of labor, and not the other way round. As to whether remnants of alienation that are left over by the old society still exist in the socialist society, and in what way they are reflected, these questions can be studied by us, but will not be discussed in this article.

III. We fully affirm our great successes since the founding of the PRC. However, this does not mean that we deny or pay little attention to our mistakes and setbacks in socialist construction. Socialism is a new thing in human history. It has great vitality. Nothing under capitalism can match its superiority. However, every new thing must invariably undergo a process of growth from an undeveloped stage to a well developed stage. In particular, in our country, after the seizure of state power by the proletariat, we have built socialism under the condition of grave economic and cultural backwardness and a large population. Therefore, we necessarily had to encounter grave difficulties and it was very difficult to completely avoid various kinds of shortcomings and mistakes. However, we should adopt an analytical attitude toward various inadequacies or shortcomings existing in our country at the present stage. Some problems cannot be quickly solved in the elementary stage of socialist society, particularly under our country's concrete conditions, for example, the considerably low level of the people's consumption compared

with economically developed countries, the relatively straitened circumstances of some of the masses, and so on. Some problems were due to a lack of experience, inadequate understanding of the economic laws of socialism, subjectivism, and rashness in decisionmaking; these led to grave mistakes in work. In some cases, certain specific links of the production relations were incompatible with the productive forces but were not promptly readjusted, so that the superiority of the basic socialist economic system could not be satisfactorily brought into play; for example, our country's economic management systems had many long-standing defects which remained uncorrected for many years; this was an important reason for the low efficiency in work, poor economic results, and serious waste. Some problems were due to negative factors left over by the old society or by the decade of domestic turmoil, and some were due to the negative bourgeois influences infiltrating into our country from abroad; for example, some cadres have degenerated; some cadres have seriously indulged in bureaucracy, disregarding the democratic rights of the masses, or even suppressing criticism and meting out retaliation; moreover in society, we can find corruption and embezzlement, speculation and profiteering, various kinds of criminal activities, spiritual pollution caused by the decadent bourgeoisie and other exploiting classes, and so on. If we do not solemnly deal with and firmly tackle these decadent and negative things, and if we allow them to develop, then the consequences will be very serious. However, those contradictions that are difficult to resolve quickly because of the limitations of objective conditions, as well as various shortcomings actually existing at present, are not necessarily products of the socialist system; on the contrary, they are negative factors that must be overcome, and can certainly be overcome, in the course of development of socialism. Of course, we should vigorously expose and criticize these shortcomings and mistakes. However, exposure and criticism must only aim at improving our work, eliminating shortcomings, perfecting and consolidating the socialist system, and promoting socialist economic development. Generally speaking, we should not use Marx' concept of alienation of labor, which has a specific meaning of its own, to sum up our shortcomings and mistakes. It is an even greater mistake to see only the dark side of society without seeing the main aspect of the socialist society, and to attempt to argue that the socialist system is the cause of alienation. We can draw correct conclusions about the setbacks and rises and falls of the past only if we adopt a Marxist attitude. Lenin said: "It is not necessarily true that the winners in any victorious battle in history did not commit any mistakes and did not suffer any partial defeat."¹⁰ In the face of setbacks, genuine communists will never become pessimistic or despair, but will realistically sum up the lessons of experience, hold the banners of Marxism and communism higher, and continue to advance. This is what our party precisely has been doing. Since the 3rd plenary session of the 11th CPC Central Committee, our party has led the whole nation to sum up our historical experience more comprehensively and scientifically, to restore and develop fine revolutionary traditions, to bring about great historical changes, and to create a new situation in various aspects of the cause of socialism. We firmly believe that after the elimination of spiritual pollution and after our party rectification, the consciousness of the whole party will certainly be greatly heightened, the overwhelming majority of those comrades who have committed various mistakes will return to the correct path and will maintain

political consistency with the CPC Central Committee, and our party will become more firmly united, purer, and stronger. It will more satisfactorily lead the people of all nationalities in our country to reform our management systems on an overall scale, to quicken our socialist modernization, to strengthen the building of socialist spiritual civilization concurrently with the building of socialist material civilization, and to advance bravely toward the brilliant future of communism.

FOOTNOTES

1. "Collected Works of Marx and Engels: Economic and Philosophical Manuscripts of 1844," Vol 42, p 90.
2. Ibid., Vol 42, p 120.
3. Marx and Engels: "Collected Works: German Ideology," Vol 3, p 316.
4. "Selected Works of Lenin," Vol 3, p 248.
5. "Selected Works of Marx and Engels: Critique of the Gotha Program," Vol 3, p 20.
6. "Selected Works of Marx and Engels: Anti-Duhring," Vol 3, p 321.
7. "Collected Works of Lenin: A Great Beginning," Vol 29, p 389.
8. "Collected Works of Lenin: On Famine," Vol 27, pp 365-366.
9. "Selected Works of Marx and Engels: On Authority," Vol 2, p 553.
10. "Collected Works of Lenin: Current Tasks of the Soviet Regime," Vol 27, p 228.

CSO: 4006/305

GENERAL

SYMPORIUM ON THEORY OF ECONOMIC DEVELOPMENT STRATEGY HELD IN GUANGDONG

Guangzhou NANFANG RIBAO in Chinese 23 Dec 83 p 1

[Article by staff: "Our Province Called First Symposium on Theory of Economic Development Strategy; Search for Patterns of Economic Development for Guangdong Starting From Reality"]

[Text] A symposium on the theory of economic development strategy for Guangdong was held at Wenquan [the hot springs] in Conghua from 18-22 December. This was the first symposium of its kind which dealt with problems of an overall nature in the construction of the four modernizations. The symposium was attended by more than 90 economic specialists, scholars and practitioners. Liu Tianfu [0491 3944 1133], member of the Advisory Commission of the party Central Committee, sent a congratulatory telegram to the symposium. Wu Nansheng [0702 0589 3932], a secretary of the provincial party committee, attended the symposium on 21 December and gave a talk.

In his talk, Wu Nansheng fully affirmed the results of the symposium and expressed hope that henceforth the theoretical workers would persist with three things in their studies. One is to persist in relating theories to realities, not only to the realities of Guangdong but also to the realities of the country and the realities of international economic activities. The second is to persist in seeking truths from facts to find the objective patterns of economic development in our province. The third is to persist in letting 100 schools of thought contend. As long as we persist in these three things, our cause will surely develop and flourish.

The comrades attending the symposium conscientiously summarized the experience of our province in economic development since the 3d Plenary Session of the 11th Party Central Committee. Starting with the realities of our province, they probed into the strategic goals of the overall economic development in our province and its policies and measures. They also explored the effects of organizing the Ju Jiang Delta economic region and of developing the central city of Guangzhou, the construction of special economic zones, the economic development of Hainan Island and the mountain regions and the effects of South China Sea petroleum development on the economic development of our province.

The symposium was jointly organized by the Policy Research Office of the provincial party committee, the provincial Institute of Economics, the Economic Research Institute of the provincial Department of Social Sciences and the editorial department of the NANFANG JINGJI [ECONOMICS OF THE SOUTH]. More than 70 papers were submitted to the symposium.

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GENERAL

IMPORTANCE OF PATENT INFORMATION STRESSED

Beijing GUANGMING RIBAO in Chinese 9 Dec 83 p 3

[Article by Shen Jialian [3947 0857 1670]: "Patent Information Is a Precious Treasure"]

[Text] Like a stone thrown into the still waters of a pond, a new question suddenly agitates the minds of the intellectuals in their peaceful investigations of the natural sciences and touches off wide speculation and discussion. That question is our country's intention to institute a patent system.

Intellectuals welcome a patent system for two reasons: First, a patent law would give recognition to the products of mental labor--inventions are valuable property and are to be given protection. The transfer of technologies would therefore have to be compensated, would earn the inventor or the inventing unit a remuneration, a compensation based on value would be realized and "feeding from the big pot" in the field of scientific research would be greatly reduced. Second, the patent system would effectively stimulate the dissemination of technical information. Every patent law generally stipulates that the applicant for a patent would have to make public all the details of his invention. That information would then be circulated by the patent office for all to note. This function of the patent system is obviously extremely beneficial for the continuous development of science and technology, a function that no other administrative measure could replace.

The knowledge, i.e., information, contained in the patent documents is very valuable. It has been said that "if patent information is ignored, an undertaking is doomed to crushing defeat!" In the following we shall discuss the main characteristics of patent information.

1. Great Usefulness of Its Many Facets

Patent information embodies technical information, legal information and economic information. The documents which embody the patent are a manual that sets forth the details of a new technical invention, but they are also legal documents which carry information about intellectual property rights and are also pieces of economic information as they indicate the spheres of specific markets. It shows that the patent information has a wide circle of users.

In deciding whether a patent that is being applied for is valid according to law, the examiners at the patent office must investigate and review patent information. Patent information can also play a very important role as a source of reference for scientific research and planning personnel who are about to decide on a certain topic, draw up a program, tackle a problem or resolve an uncertainty or for industrial or mining enterprise personnel who are thinking about technological restructuring or product renovations or innovations. Before technical personnel or administrative staff in charge of checking achievements report inventions or apply for patents, they must also use patent information for a scientific appraisal of whether the said achievement is really a "novelty" and an "original creation without precedent in the world." When plans are made to import foreign technology or equipment, a comparison must be made beforehand, country by country and company by company, of the specific conditions of the technology or equipment to insure that it is appropriate for use in our country, and the patent information can furnish answers to all such questions. When negotiating with foreign firms, it is absolutely necessary to ascertain whether the offered patented item has really been patented, who the owner of the patent is, whether the patent is still in force, how much longer it will still be effective, etc. If patent information is ignored and reliance merely placed on the assertions of the foreign firms, losses and trickery are bound to be experienced. On the other hand, if technologies and products are to be exported, it is equally necessary to collect patent information to make absolutely sure that such exports will not infringe on someone else's patent. If the market prerogative of someone else is carelessly intruded upon, legal disputes are bound to be the consequence.

In brief, due to the unique character of its many facets, patent information can be fruitfully used by scientific research, production, planning, administrative and foreign trade departments, and we may even go so far as to say that none of these departments can afford to ignore it.

2. Full Attention Must Be Paid to Its Novelty Value

New technologies are generally revealed in patent documents many years in advance of their publication in other documents. Oft-quoted examples in this respect are televisions, jet engines, modular cast iron, radar, hovercraft, the Foucault method of glassmaking, carbon-related fibers, endoscopes, etc. Since most countries stipulate that "the patent right is to be awarded to the first applicant," any inventor will be very impatient to apply for his patent almost as soon as his invention is ready. Add to this the fact that recently many countries have a system of "advanced publicity" for the gist of a patent application, which speeds up further the dissemination of patent information. Furthermore, because the main condition for the awarding of a patent is that the invention has never before been published in any form, this premise too will contribute to the fact that patent information will reflect within the shortest time whatever new technological advances have been made. Another point that must be emphasized is that only 5-10 percent of the technical details contained in patent documents is available in other documents. It follows that not informing oneself of patent information will mean that one will miss a large amount of new and useful information.

3. Its Unique Systemization

After an invention has been patented, it will put a stop to, or reduce, the unremunerated use of the invention by others. Research units and enterprises will in general adopt the policy of getting patent protection for every step in the future improvement of their products or technologies. This being the case, it follows that if a complete compilation is made and analyzed, of all the patent information relevant to one topic, it will reveal the stages of development of the technology in question, including the active areas, weak links and blank zones, and this will allow a forecast of future directions. There are at present many countries that give much attention to this aspect of patent information.

In 1971, the U.S. Office of Patents and Trademarks established a Bureau for the Evaluation and Projection of Technologies to undertake regular and systematic analyses of patent information, to determine highly active technologies, areas of concentration in foreign applications and trends in the scientific research of large units, to relate areas of great activity to economic developments, to locate patent activities in the area of energy technology, etc. The results of research into such information are obviously of great strategic significance and are often needed by decision makers. The patent information organs of Japan, the Soviet Union and other countries have also launched research of a similar character. In our country this kind of research into patent information has only just started, but the significance of it will become increasingly understood by all.

Patent information also has its limitations, but certain flaws cannot obscure its great virtues, the value of which, after all, must be recognized. It is only a pity that there are too few now who really recognize its true value and the fact that it is not yet fully utilized. A considerable part of our country's scientific research is conducted in ignorance of the world's present levels of technology, and there is a great possibility that work is being duplicated or is being directed into generally recognized deadend streets. This situation demands urgent change and requires much effort to make all personnel concerned take full note of patent information.

After a patent system, a patent administration and a perfect network for patent document service have been established in our country, patent information is bound to attain full development and will come into wide use. It will then play an extremely useful role in our socialist construction.

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GENERAL

TIANJIN'S ECONOMIC, TECHNICAL COORDINATION WITH OTHER REGIONS

Beijing JINGJI RIBAO in Chinese 30 Nov 83 p 2

[Article by staff reporter: "Tianjin's Economic and Technical Cooperation With Other Areas Is Rapidly Growing, Employing Such Forms as Scientific and Technical Cooperation, Joint Economic Activities and Joint Merchandizing"]

[Text] Tianjin Municipality's economic and technical cooperation with other areas is developing rapidly and with remarkable success. Presently, long-term and stable relations of economic and technical cooperation have been established with 21 provinces, municipalities and autonomous regions, and economic and technical contacts extend over the whole country. Up to the end of September, a total of 1,905 items of cooperation have been preliminarily agreed upon. The forms of cooperation comprise scientific research and technical cooperation, joint economic activities, cooperation in the training of qualified personnel and joint merchandizing. Actual cooperation has already been established in the case of over 700 items.

Tianjin's practical experience has proved that regional economic cooperation is of benefit in the following ways:

--It helps stimulate technical progress. Economic and technical cooperation promotes technology transfers between regions. From the start of this year, the relevant departments and units of Tianjin Municipality have dispatched 307 persons in 37 groups for cooperation, investigations, consultations and professional lectures to the 6 minority nationality areas of Gansu, Xinjiang, Ningxia, Yunna, Guizhou and the Yanbian Autonomous Region. They gave lectures to 65,000 people and 322 on-the-spot technical demonstrations. They trained 693 persons in special fields of work and presented 413 advisory opinions. They submitted over 400 drawings and items of data and over 60 technical directives for the manufacture of certain commodities. In the 3 years since the inception of cooperation in scientific research and technology in more than 100 enterprises regarding over 110 products, economic results have been achieved in raising quality, in increasing the design, color and variety of commodities, in reducing consumption of materials and in transforming deficits into surpluses. Tianjin Municipality also benefited from certain technologies brought in from other areas, solving certain of its difficulties in production techniques and achieving very tangible results.

--It helps in readjusting the composition of products and the remodeling of old enterprises. Tianjin transferred out the manufacture of products which consume large amounts of energy. It invested 5.45 million yuan in remodeling three carbide factories in a joint operation with Shanxi Province. Between January and September of this year, the production, taxes and profits realized in these three factories increased 80 percent compared with the same period of last year. They have already supplied Tianjin with 13,000 tons of carbide, which were used to produce over 7,600 tons of PVC valued at over 14 million yuan, which in turn created over 3.8 million yuan in taxes and profits. The total investment is therefore estimated to be recovered in one year. At the same time, 40 million kWh of electricity have been saved, which in the case of Tianjin Municipality would have amounted to the consumption of 150 million yuan of electricity.

--It helps assert the role of the key cities, according to the principle of "push toward the outside, cooperate domestically and expand exports." Tianjin cooperated with Henan Province in remodeling metallic silicon production at Jiaozuo. Production capacity was expanded and rose from 800 to 3,800 tons. Export quantity was raised to 3,000 tons, creating \$3.4 million in foreign exchange. Between January to September, 1,300 tons have already been supplied to Tianjin.

--It helps supplement deficiencies in the state plan. The total value of material cooperation between Tianjin Municipality and other places for the last 2 or more years amounted to over 300 million yuan, which alleviated shortages in the supply of over 90 articles. This year alone the total value of material cooperation has already amounted to over 98 million yuan. These materials play an important role in the completion of construction tasks and the fulfillment of the revenue plan for Tianjin Municipality.

--It speeds up the training and supply of qualified personnel. Tianjin presently requires over 700 university graduates in special fields, and reliance on state assignments will fill only about half of the vacancies. Tianjin now engages in cooperation with other provinces, municipalities and departments in the training of qualified personnel with mutual exchanges of planned enrollment figures and has already exchanged 985 university and college students in 228 special fields with 104 universities and colleges of 15 other provinces, municipalities and regions. At the same time Tianjin cooperated in the in-service training at 13 universities and colleges in Tianjin, where 45 specialists and 151 employees from 6 provinces and municipalities (located in Gansu, Hebei, Heilongjiang, Yunnan and at Chongqing) are being trained. This training of qualified personnel is very successful and evoked responses from all over the country.

--It helps promote commodity exchanges and enliven the markets. The joint merchandizing enriches the livelihood of the people and improves the supply of commodities.

The vice chairman of the State Economic Commission, Zhao Weichen [6392 4850 5256], recently came to Tianjin on an inspection and study trip. He expressed the opinion that the method adopted by Tianjin Municipality is of national

significance and that under the guidance of the party the development of economic and technical cooperation should certainly be carried on. In conducting these activities it is necessary not only to pay attention to the partial interests of a locality or department but also to give consideration to the interests of the whole and to strive for social-economic results.

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GENERAL

PREPARATION FOR LIAONING'S 1984 PRODUCTION DISCUSSED

Shenyang SHICHANG ZHOUBAO in Chinese 29 Nov 83 p 1

[Article by staff reporter Cao Zhi [2580 2535]: "Provincial Government Calls Telephone Conference on Economic Work To Arrange Production Preparation Work for Next Year and To Strive for Achievement of Immediate Success in First Quarter; Lieutenant Governor Wang Guangzhong [3769 0342 0022] Was in Charge of Conference; Entrusted by the Provincial Government, Li Shukai [2621 2885 2818], Chairman of the Provincial Economic Committee, Presented an Economic Work Report"]

[Text] On 26 November [1983] the provincial government called a telephone conference on economic work. The conference asked that production preparation for the following year be conscientiously carried out and that efforts be made to achieve immediate success in the first quarter. Comrade Wang Guangzhong, lieutenant governor, was in charge of the conference. Entrusted by the provincial government, Comrade Li Shukai, chairman of the provincial economic committee, presented an economic work report.

Comrade Li Shukai said that it was estimated that the gross industrial and agricultural production value would reach 50.5 billion yuan this year, an increase of 6 percent over last year. Total production of food-grains and beans would reach 26.79 billion jin, an increase of 16.3 percent over last year. In the first 10 months of this year, retail sales of social commodities totaled 12.29 billion yuan, an increase of 7 percent over the same period of last year. It was estimated that social purchasing power for the province during the year would reach 15.2 billion yuan, an increase of 9.3 percent over last year.

He pointed out that 1984 will be the key year in completing our Sixth 5-Year Plan. In order to organize the production of the province properly, it is necessary to take a firm hold of the word "early." We must first take hold of production in the first quarter, guaranteeing the achievement of immediate success in the opening season and gaining an initiative for the entire year. He emphasized that in the first quarter of next year, industrial production and communications and transportation must continue to carry out thoroughly the policy of "readjustment, restructuring, reorganization and upgrading" and persist in improving economic results as the central point by taking a firm hold of enterprise reorganization and readjustment, of turning around losses and increasing profits, of technical reconstruction and of coordination

between industry and commerce, so that new breakthroughs will be achieved in various kinds of work. We must strive to synchronize the improvements of benefit and rate and establish a firm foundation for improving economic benefits during the entire year and on an overall basis.

He presented concrete requirements for various major indices for the first quarter. On the foundation achieved this year, the total industrial production value must guarantee quadrupling and strive for quintupling. Twenty-three percent of the annual plan must be completed during the first quarter. The production of principal products must be 24 percent of the annual plan. The superior-quality product rate must be above 15 percent and energy consumption must be lowered by 3 percent over the first quarter of this year. At the same time, concrete goals were also set for cost of production, turn-around rate of funds, labor productivity and realized profits and taxes. Also, concrete requirements were also presented for agricultural labor productivity, hog breeding, breeding of fresh-water products and survival rate in forest planting.

In order to realize immediate success in the opening quarter of next year, he asked for the following work to be carried out properly:

1. The improvement of economic benefits must be placed in the top position, and efforts must be made to achieve synchronized increases in benefit and rate starting in the first quarter. The production plan and the benefit plan must be arranged at the same time. A firm hold must be taken to turn losses around and increase profits. Modern scientific management must be vigorously pushed ahead. Issuances of bonuses and the size of self-developed funds for capital construction by enterprises must be firmly controlled.
2. A vigorous effort must be exerted in the production of energy sources, transshipment, supply on a selective basis and economization work in order to guarantee the smooth progress of production. More local coal must be produced, every means must be used to secure coal allocated by the state and rush shipments of coal from outside the province must be continued. A vigorous effort must also be made to take a good hold of resources outside the plan. Cooperation must be properly organized. Proper energy-saving work must be further carried out.
3. Production according to demand must be organized with determination in order to guarantee market supply. The thorough adherence to the principle of the "six priorities" must be insisted upon so that products with good sales outlets will be produced. A vigorous effort must be made to produce superior-quality name-brand products. The production of scarce commodities must be increased. New products must be actively studied and produced. The production of seasonal and holiday products must be increased. Heavy industries must increase the production of products in short supply and properly carry out the work of supporting agriculture and light industries.
4. The reorganization of enterprises must be continued and their quality must be vigorously improved. The reorganization work must be implemented on an overall basis and a new situation in reorganization must be developed for small and medium enterprises. The work of strengthening and improving

enterprises must be properly taken hold of and the leadership in enterprise reorganization strengthened.

5. The readjustment of the organizational structure of enterprises must be conscientiously carried out. For those enterprises with high material consumption, poor product quality, poor operating management and operating losses over a long period of time, those enterprises whose production exceeds demand and whose products have accumulated in large quantities and those backward enterprises which clearly compete with advanced enterprises for energy sources, raw materials, transportation and markets and whose products do not meet the standards, decisive actions must be taken to shut them down, suspend their operations, merge them or switch their production to other products. The restructuring of existing enterprises must be made according to the principle of specialization and cooperation.

6. Technical reconstruction must be taken hold of firmly and product quality vigorously improved. The work of examining product components must be properly carried out. A responsibility system must be firmly established for projects designed for technical reconstruction this year. At the same time, the work of improving product quality must be taken hold of firmly.

7. The relationship between industry and commerce must be properly coordinated and a new situation of sales work established. The spirit of Document No 251 of the provincial government must be actively implemented, thus properly carrying out the work of joint operation and joint sales between industry and commerce. The rural areas must properly carry out the work of preparation for planting, and seeds, agricultural tools, chemical fertilizers and plastic membrane grandcover must be prepared. The "two households" must continue to be strengthened and developed and the responsibility system thoroughly carried out.

8. Ideological and political work must be strengthened. The vast number of cadres, staff and workers must be conscientiously organized to study the documents of the 3d Plenary Session of the 11th Party Central Committee and the "Selected Works of Deng Xiaoping." Spiritual pollution must be eliminated with determination and the [ideology of] "everything for the money" must be opposed. Ideological and political work must be conscientiously and deeply developed according to the "Outline of Ideological and Political Work for Staff and Workers of State-operated Enterprises (Trial Implementation)," and the construction of spiritual civilization must be properly carried out in order to push forward the development of production.

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CHINA 'IN PRINCIPLE' TO PLAN SHENZHEN AIRPORT

HK090200 Hong Kong SOUTH CHINA MORNING POST in English 9 Feb 84 pp 1, 20

[Article by Sa Ni Harte and Peter Witton]

[Text] China has decided in principle to go ahead with plans for an international airport to the west of Shumchun, reliable sources said yesterday.

But talk of a \$40 billion price tag was dismissed as "ludicrous" by a top British airports expert presently in Hong Kong.

Sources said the Shumchun authorities had studied the feasibility of building an international airport on a site northwest of Shekkou and it is believed they have decided to give the green light to the project "after a great deal of discussion."

However, details of the planned project were not available.

The SCM POST reported the deputy mayor of Shumchun, Mr Luo Changren, as saying in August that the authorities were studying the financial implications, technical requirements and the demand for an international airport.

Mr Luo said there had been suggestions that the proposed airport could be built in several stages and expanded as the need arose.

He also said the proposed airport could relieve some of the pressure building up at Kai Tak Airport.

Hong Kong had earlier investigated the possibility of building a replacement airport on Chek Lap Kok, at Deep Bay and on other sites, but these plans have been shelved.

Officials from the British Government-backed British Airports International (BAI) are keen to get involved in providing planning and technical expertise to build the Shumchun Airport, but are angered by leaks about the project.

The managing director of BAI, Mr Michael Halper, said:

"Reports of such a figure (\$30 to \$40 billion) are ludicrous."

He described as "disturbing" a "purported" account of a meeting BAI executives had yesterday with senior government officials.

Mr Halper would neither confirm nor deny the reports, which claimed certain government officials are against a second airport so close to Kai Tak.

Nor would he confirm whether he would be visiting China before leaving for London on Saturday.

BAI is a 50-50 joint venture between the British Airports Authority (BAA), operators of most major airports in Britain and International Aeradio Ltd (IAL), formerly a British Airways subsidiary.

A government spokesman said yesterday the question of construction of an airport was a matter for the Chinese authorities.

"If an airport were to be built, there would need to be coordination between Shumchun and Hong Kong on a number of matters, in particular air traffic control.

"There is already excellent cooperation with the Chinese authorities in this field," the spokesman said.

After visiting Hong Kong early in December Mr Halper confirmed to the SCM POST he had met officials from the Shumchun Special Economic Zone.

At the time he said talks had been held in Peking and he thought other airport consultants had been approached by the Chinese.

Yesterday, a British Trade Commission official said BAI was receiving the normal BTC aid given to any British company.

He would not elaborate.

Although the decision is now believed to have been made, sources said it would still take a decade or more to do the survey work, planning and finally the construction of the airport and by then Kai Tak would have reached saturation.

CSO: 4020/069

HONG KONG ECONOMIC TRENDS

FOREIGN INVESTMENT INCREASES 'STRONGLY'

HK300114 Hong Kong SOUTH CHINA MORNING POST in English 20 Jan 84 BUSINESS NEWS p 1

[Text] Foreign investment in Hong Kong increased strongly last year, despite the politically-related disincentive factors and the recession.

Statistics released yesterday by the commercial division of the Registrar General's Department show that a total of 257 foreign companies set up business here notwithstanding the uncertainty over Hong Kong's future.

There was also an increase in the registration of Hong Kong firms. Contrary to reports of a mass exodus of companies out of the territory, the total number of companies in the register rose by 10 percent, from 108,302 to 118,680.

The registrar-general, Mr Noel Gleeson, pointed out that the total number of foreign business establishments climbed by 10 percent from 1,699 to 1,872.

The figures take into account the 84 deletions from the registry over the year.

There were registrations across the board. Manufacturing, where foreign investment totalled \$7.8 billion by October, attracted most of the funds.

Of the new establishments, 78 come under "miscellaneous industries," the largest single number.

This was followed by insurance with 51 establishments, financial trust and investment with 19, the land and buildings sector with 11, engineering, electrical and mechanical operation with 10 and banking with nine.

Textiles, which had a strong export year, attracted four new companies.

The rest covers a wide range of business operations, ranging from shipping, imports and exports, advertising and newspaper publishing to hotels and restaurants, tourism and transport.

The United States, which led in the amount of direct investment in industry, also led the number of newcomers, with 64 establishments. Britain had 60, Japan 41 and Singapore 13.

Taking all the foreign investments together, of the 1,872 foreign companies registered, the U.S. topped the list with 436 companies, followed by Britain with 279 companies, Japan 223 and Singapore 106.

Existing companies increased their nominal capital by \$12.93 billion, compared with an increase of \$19.45 billion in 1982.

There was also a slight drop in the nominal capital of new companies incorporated which totalled \$3.47 billion, compared with \$3.94 billion for the previous year.

The amount secured by charges registered on the assets of companies increased by 11 percent, from \$46.88 billion to \$51.92 billion.

Reporting on companies going public, the department said 35 prospectuses of new public companies were approved last year. These include 11 for mutual funds.

The comparable figures for the previous year were 28 prospectuses and 13 mutual funds.

Also during the year, 6,206 applications for trade marks were received, down from 6,384 in 1982.

The number of new trade marks registered, at 2,802, was slightly less than in 1982, bringing the total to 40,915.

CSO: 4020/070

HONG KONG ECONOMIC TRENDS

HONG KONG EXPORTS, REEXPORTS CONTINUE TO RISE

HK060252 Hong Kong SOUTH CHINA MORNING POST in English 6 Feb 84 BUSINESS NEWS p 1

[Text] A continued strong performance in November took the total volume of domestic exports and reexports up 15 percent for the first 11 months of last year.

According to figures released yesterday by the Census and Statistics Department, the price of both exports and imports rose by an average 17 percent last November against a year ago.

The volume of domestic exports and reexports increased by 25 percent, while import volume rose by 19 percent on the month against the previous corresponding period.

Over last year's first 11 months, the price of domestic exports and reexports increased by 9 percent and by 15 percent in volume terms.

Over the same period, import prices were 11 percent higher and 9 percent up in volume terms.

Comparing the past 2 years on a 12-month basis ending in November shows that the prices of domestic exports, reexports and imports rose on an average by 8 percent, 9 percent and 10 percent respectively.

Domestic export value of nearly all commodity groups jumped in November compared with the preceding year.

The biggest movements were recorded in domestic electrical appliances (up 58 percent), textiles made-ups and related articles (up 57 percent) and electronic components (up 52 percent).

However, decreases in domestic export volume were recorded for watches and clocks (down 4 percent) and metal ores and scrap (down 12 percent).

Import prices of all end-use categories produced increases ranging from 10 percent for fuels and 19 percent for consumer goods, raw materials and semi-manufactures.

Many imported foodstuffs increased in volume terms--most significantly sugar, meat, fruit and fish.

In the consumer goods category, large import increases were seen in silk fabrics, man-made fibres, yarn of wool and mixtures, crude animal and vegetable material, electrical microcircuits, leather, dressed fur skins and plastic moulding materials. Imports of fuels fell 17 percent.

Large drops in import volume were shown in raw cotton, watch and clock movement and building materials.

In capital goods, import volumes for most commodities increased substantially--particularly textile machinery, office machines, scientific, medical, optical, measuring and controlling instruments and apparatus and electrical machinery.

Imports of transport equipment dipped slightly.

CSO: 4020/070

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